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WAR EXPENDITURES

HEARINGS

BEFORE

SUBCOMMITTEE No. 5

(ORDNANCE)

OF THE

S. Imp. H. H. H. H.

SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS

SECOND SESSION

ON

WAR EXPENDITURES

HON. WILLIAM J. GRAHAM, *Chairman*

HON. ALBERT W. JEFFERIS

HON. FINIS J. GARRETT

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SELECT COMMITTEE ON EXPENDITURES IN THE WAR DEPARTMENT.

HOUSE OF REPRESENTATIVES.

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By W. H. Koffel
2-15-33

WAR EXPENDITURES.

SUBCOMMITTEE NO. 5 (ORDNANCE),
OF THE SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
Washington, D. C., Tuesday, September 30, 1919.

The subcommittee met at 10 o'clock a. m. on call of the chairman, Hon. William J. Graham (chairman), presiding. Also present, Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF HON. NEWTON D. BAKER, SECRETARY OF WAR,
WASHINGTON, D. C.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Secretary, some time ago, in investigating some contracts relative to the production of toluol, this subcommittee came on the report of the Inspector General relative to the activities of the H. Koppers Co. and of some men who were employed by that company and at times were in the War Department in connection with this bureau. Among other things, we found something relative to Mr. C. J. Ramsburg. Mr. C. J. Ramsburg was the vice president at the time, and is to this time, so far as I know, of the H. Koppers Co. and of several by-product coke companies. In answer to an inquiry by Maj. Stotesbury, who was the representative of the Inspector General's office, and which answer is found in the report in connection with the report I have just mentioned, and that have here in connection with the Government service, he says:

I am connected with the Government as technical expert on toluol in the Procurement Division, Ordnance Department, under Col. C. W. Watson. I entered the employ of the Ordnance Department about the end of March, 1918. I was sent over by Col. McRoberts, and was told that they were in need of some one in that department familiar with the technology of the coke business. He said he was endeavoring to get Mr. W. H. Blauvelt, of the Semet-Solvay Co., to assist them also, and asked me if I could come permanently to Washington for a time and give my services to the Government. I told him that I was engaged in the operation of two coke plants and six benzol plants, and I believed it was a mistake to take me away from this work, but that if it would be of any assistance for me to come to Washington two days a week I would be glad to do so, provided it was approved by H. B. Rust, president of both the Koppers Co. and the Pittsburgh By-Product Coke Co. Col. Watson wrote to Mr. Rust and asked him to allow me to do this work. Mr. Rust replying favorably, I took the oath before a civil-service commissioner and began coming to Washington two days a week. My duties involved, largely, a knowledge of the coals which were available for by-product use, the yields of toluol and ammonium which might be secured, the character of the coke produced from certain coals, the knowledge of transportation conditions in various localities, a knowledge of the material required for construction.

And then he goes on in extenso about his various duties, but that is the gist of it.

Now, Mr. Secretary, did you know that this arrangement had been entered into between the Ordnance Department and Mr. Ramsburg, by which he could work two days a week for the Government and four days a week for the Koppers Co.?

Secretary BAKER. I can not say I ever knew that at the time it was done, but it was called to my attention later. I saw the inspector's report which you have in hand.

Mr. GRAHAM. He also, at another time in his examination, said this:

Q. But you still retain your financial interest in the company?—A. Yes; but to the extent of salary only.

Now, from this I would judge that at the time he was working for the War Department he was drawing a salary from the H. Koppers Co., and, presumably, also a salary from the Government. Did you know that that was true?

Secretary BAKER. I did not know it at the time. And I do not now know that I ever knew it.

Mr. GRAHAM. This matter at the time this arrangement was entered into was not submitted to you?

Secretary BAKER. No.

Mr. GRAHAM. Who, Mr. Secretary, did it, then?

Secretary BAKER. I should think that Gen. McRoberts did it. That would be my guess. Gen. McRoberts was the head of the procurement section, Ordnance Office; and, as I recall it, that whole series of toluol contracts was made under his general, and perhaps under his direct supervision.

Mr. GRAHAM. Were they in the habit of coming to you with these appointments they would make, or were they made as a matter of form?

Secretary BAKER. They were made outside of my office entirely; not even submitted to me for final approval.

Mr. GRAHAM. Was Col. McRoberts answerable—we understand that you were at the head of the department, but that these formal matters could not all be passed upon by you; that they could not.

Secretary BAKER. Oh, no.

Mr. GRAHAM. Was Col. McRoberts's office intrusted with final discretion about these matters?

Secretary BAKER. I can not say how final it was. The organization was that the Secretary of War had technical control, or theoretical control, of the War Establishment; and that at any place the Secretary of War saw fit to intervene, of course his word was final. The Assistant Secretary of War, Mr. Crowell, had general supervision and observation of ordnance matters, but how far he was at the head of ordnance about such matters as this I do not know. The Chief of Ordnance had very large discretion and authority in the matter of procuring experts and in making contracts, and that all went on without coming to the Secretary of War. The thousands of contracts which were made and the hundreds of them sometimes a week would have rendered it quite beyond the capacity of any man or even small group of men to have acquainted himself or themselves with the details.

That was all done in the Ordnance Office through the procurement section, and Col. McRoberts was the head of the procurement section. How far the Chief of Ordnance required Col. McRoberts to report to him the details I can not tell you. But Gen. Williams, who is here now, was the Chief of Ordnance from about the 1st of May and he can tell you what was the practice after he took charge. Col. Wheeler, I think, can be gotten and he can tell you what took place from the time he was Acting Chief of Ordnance; and Gen. Crozier can be gotten, and can tell you what took place prior to that time.

Mr. GRAHAM. Did you personally ask Col. McRoberts to come into the department?

Secretary BAKER. I can not say whether I ever signed an order that would give him that power or not. I do not know, but think not.

Mr. GRAHAM. Did you know at the time that he was to be asked to come in?

Secretary BAKER. To come into the department?

Mr. GRAHAM. Yes.

Secretary BAKER. Oh, no. Though I might have, but my recollection is somewhat vague about that, Mr. Graham. This is my best recollection about it at the moment: Gen. Crozier, who was Chief of Ordnance when we went into the war, told me that Mr. Samuel McRoberts was acting with him in an unofficial way as adviser in matters of large and intricate business. I think I met McRoberts before he became an officer at all of any kind. I knew that McRoberts was advising with Gen. Crozier, but I did not know when he officially became a military officer, or an official representative of the Government. That was done by Gen. Crozier.

Mr. GRAHAM. Col. McRoberts also appointed Col. Watson, didn't he?

Secretary BAKER. I do not know that.

Mr. GRAHAM. You did not know of the occurrence at the time?

Secretary BAKER. No.

Mr. GRAHAM. I judge that the details of the formation of these various departments were largely left to the discretion of the man at the head of each department or bureau.

Secretary BAKER. The policy of the military organization, the formation of the organization of the War Department, was dictated by me and changed from time to time. But the filling of the individual posts in the several bureaus was done upon the recommendation of the bureau chief and and it went through as a matter of course, without coming to me at all.

Mr. GRAHAM. Well now, there is another question I want to ask about the matter of policy: Did you have anything to do, personally, Mr. Secretary, with the formation of the rules for the settlement of war claims in the War Department Claims Board?

Secretary BAKER. Yes; I had this much to do with it: The Assistant Secretary of War, Mr. Crowell, drew up the scheme or schedule for the formation of the War Claims Board. He brought it to me and explained it in detail and I gave it my approving signature. He then promulgated it.

Mr. GRAHAM. Well, now, let me ask you something about that. That has puzzled this subcommittee very much: A rule was promulgated by the department in the matter of informal contracts

where the contractor purchased special facilities for the completion of his contract, to this effect: That if the contract were canceled or suspended during its life, with a part of the work done, that then the claims board would allow to the contractor such an amount of the cost of the special facilities as was represented by the ratio of the uncompleted work to the completed work. And that rule was followed, so far as we can observe, by following the express language of the rules that were laid down by the board, and presumably from the head of the department. Now, it is apparent that that rule must have been made on the assumption that special facilities would all be expended in the performance of the contract; and the effect of it was that the special facilities belonged to the contractor. Was that the intent of this rule?

Secretary BAKER. I can not answer, for I do not know. I do not know as to that detail at all.

Mr. GRAHAM. Let me give you a concrete example to illustrate it: If a company had a contract for \$100,000 worth of machinery of some kind, and they said that it would be necessary for them to buy \$50,000 worth of special facilities to do that work, it was presumed that the contractor would amortize the cost of his special facilities in the contract price, so that at the completion of his contract all the cost of the special facilities would be fully amortized. But the rule, as handed down, was that at the end the special facilities should belong to the contractor.

Secretary BAKER. Mr. Graham, it would be idle for me to speculate about that. I have not followed the details of it at all. The adjustment of claims has been under the War Claims Board, of which Assistant Secretary Crowell is chairman. He has been advised constantly by Mr. Dorr, who is a member of that board, and they, in turn, have been advised by the Judge Advocate General and a group of other lawyers about them there. I have simply followed the gross results of their work, except in cases where appeals have come from the Board of Contract Adjustments; and of those, some of them I have undertaken to decide; but they have become so numerous that I have had to give that up. Mr. Crowell and Mr. Dorr can explain to you what is being done in that line. I do not know.

Mr. GRAHAM. Well, I did not know whether you had anything to do with those personally so that you could give us any line on them or not.

Secretary BAKER. No; only to have Mr. Crowell explain to me the plan. That was prior to the passage of the Dent law.

Mr. GRAHAM. He did not go into the matter of these special facilities?

Secretary BAKER. He did not. These rules were all adopted as the result of a consultation among various persons in the department, and claimants, too, I think.

Mr. GRAHAM. To refer further to Mr. Ramsburg, there is a section of the statutes, a section of the revised criminal code, that reads like this: It is section 41 of the act of the 4th of March, 1909.

No officer or agent of any corporation, joint stock company or association, and no member or agent of any firm or person directly or indirectly interested in the pecuniary profits or contracts of such corporation, joint stock company, association or firm, shall be employed or shall act as officer or agent for the

United States for the transaction of business with such corporation, joint stock company, association or firm. Whomever shall violate the provisions of this section shall be fined not more than \$2,000 and imprisoned not more than two years.

Now, Mr. Secretary, I have not been able to find where that statute has been modified or changed by any subsequent legislation, although it may have been, but not to my knowledge. It occurred to me, personally, in thinking about this matter, that Mr. Ramsburg and all these other people who were in this department advising about contracts, and advising about matters, that that would necessarily be taken into mind in connection with the contracts and that they would be violating the statute. Do you have any judgment about that, Mr. Secretary?

Secretary BAKER. No; I have not, Mr. Graham. But if that question is one that you want considered I shall be very glad to refer it to the Judge Advocate General for his judgment about it.

Mr. GRAHAM. That is one that you have never considered?

Secretary BAKER. Not in connection with Mr. Ramsburg. It has arisen a number of times in regard to other people, but in the other instances with which I am familiar the man in question was not actually dealing in the sense of that statute with the company by which he was privately employed.

Mr. GRAHAM. No doubt that is true, but where a man is placed in an advisory capacity in a certain bureau, where the contracting officer must necessarily defer to his judgment to some extent, would not you think, in effect, it was a violation of that statute?

Secretary BAKER. No; I shouldn't think he was, necessarily. And in that connection I want to explain that during the war it was absolutely necessary for us to have people who knew—the coke business, for instance. The Koppers coke oven is an apparatus that is involved, and the Koppers Co. has an oven that is one of the few successful by-product coke ovens. The controversy with regard to the Koppers oven originated upon representations of a man who had invented another oven.

Mr. GRAHAM. Yes; I know about that. That is the Roberts matter. We have not gone into that at all.

Secretary BAKER. Yes. Well, my whole contact with the matter grew out of the representations in favor of the Roberts oven. I investigated it at that time to find out whether it was true that the Roberts oven was a perfected process and was being discriminated against as Mr. Roberts thought in favor of the Koppers oven—and the latter it was thought was really the property of alien enemies, as the Koppers Co. was originally a German company, and, as I now recall it, some profit-taking member of that company was actually in Germany during the war.

Mr. GRAHAM. Mr. Heinrich Koppers was Minister of Munitions in the German Government at one time, I believe. But that is not concerning us here.

Secretary BAKER. That phase of it was brought to my attention and I caused a pretty thorough inquiry to be made in regard to the Roberts oven. It was explained that M. A. Hanna & Co. at Canal Dover had installed it. I got reports from M. A. Hanna & Co. in regard to the Roberts oven and found that the oven as installed there had never been what it was claimed to be, due to certain structural

defects in erection. Mr. Roberts was trying to have it built in the way he wanted it, and Hanna & Co. were loathe to put more money into it. It appeared to be an uncompleted process, but whether it was or not I do not know. My whole contact with this business grew out of this Roberts oven controversy. I have never had any occasion to look into Mr. Ramsburg's connection with it, or his relations with the Koppers Co.

Mr. GRAHAM. The committee has not heard Mr. Roberts. We knew, however, of the controversy about these ovens, but have not gone into the matter. We have thought it immaterial to our investigation. The only thing, so far as I am personally concerned, that I wanted any light about was, how far you, as the head of the War Department, were cognizant of the conditions relative to the employment of these various men in the Koppers Co. The record shows, to direct your attention to it, that at least three men who were in the department were drawing salaries from the Koppers Co. at the time they were in there, and I did not know whether it had ever been brought to your attention or not.

Secretary BAKER. I can not say that it had ever been drawn to my attention, but similar cases were. There were cases of processes which were so far individual that nobody knew anything about them except the persons engaged with the companies producing them. They were essential processes to the War Department in the prosecution of the war. I was perfectly aware of the fact that experts were gotten from the companies with which we were dealing, to advise us. For instance, the United States Steel Co. and the Bethlehem Steel Co. they were making things for the War Department and yet we had to have their counsel to know what the capacity of the plants were and how it could be multiplied and increased; I was aware of that fact. But there was a general rule promulgated by my approval, by my direction, in fact, that no man who was a private employee of a company with which we were dealing should himself negotiate with his company, but that we should have the counsel and advice of other disinterested persons to make contracts with the companies.

I would like to make a further observation about contracts which has come into my recollection, being refreshed here by a little conference with Gen. Williams: That when these contracts, generically known as *toluol* contracts, were under consideration we sent for Milo R. Maltby, who was a public utility expert and had been dealing with gas companies and gas production and was an expert in those matters, and until recently had been a member of the Public Utilities Commission of the second district of New York, which had to do with the city of New York, and was thoroughly familiar with gas works—we sent for Maltby as the best expert we could have. He spent several weeks going over *toluol* contracts, and they were finally made as he drafted them and approved them. Also, during that period experts of the War Industries Board were in consultation; so that the contracts as finally made were not made on the activity or responsibility of Col. McRoberts or Col. Watson, but were made as the result of consultation with experts of the War Industries Board and the experts, and the disinterested judgment of Dr. Maltby, who was an independent expert called in to consult about that matter.

Mr. GRAHAM. Yes; Dr. Maltby has been before the committee and we have already taken his testimony.

Secretary BAKER. My mind did not hold that for the moment, but I knew Maltby personally before this thing began and remembered from what occurred that he was giving his expert attention to it.

Mr. GRAHAM. There is one other matter we want to know about and we will not detain you any longer, as we know you are a very busy man. You know, there has been considerable comment about the reduction in the force of clerks in the War Department, and in order to get at that inquiry we concluded to ask you, and I told my clerk to ask your office yesterday, that we wished you to bring such details as you could down here to tell us about it. I do not know whether you have those details with you or not.

Secretary BAKER. No, sir. My secretary told me about that, but these reports were not in. I can tell you, in a general way, what we are doing.

Mr. GRAHAM. Here is the thing that the Congress is more interested in than anything else, almost, at this time: I sent a written request to your office, which went through Col. Smithers, in regard to the various departments, but it seems that these things take a long time. We have found on many occasions that the departments take, it seemed to us, an excessively long time to furnish the information. Perhaps it is a thing when one knows what they have to do which means a necessity for taking some time, but at least we have not been able to get anything, except from Gen. Black, of the Engineering Department, about the number of clerks they have. He sent it in to us promptly; I think inside of 48 hours. How does the number of clerks in Washington in the War Department, all branches of it, compare now with what the number was at the time the armistice was signed?

Secretary BAKER. It is less than it was at the time the armistice was signed, but not substantially less, due, chiefly, to the number employed in The Adjutant General's Office. In practically every other bureau the number is less.

Mr. GRAHAM. In general, has there been any reduction?

Secretary BAKER. Yes; the reduction is now going on rapidly. The most difficult place in the War Department to reduce the number of clerks is in The Adjutant General's Office.

Mr. GRAHAM. Why can't we have that information?

Secretary BAKER. There is no difficulty about that. We will be glad to send you that information, Mr. Graham.

Mr. GRAHAM. Can you not get it to us right away?

Secretary BAKER. Yes, sir; we will send it to you within a day.

Mr. GRAHAM. Tabulate it, if you please, so as to show the Ordnance Department, Adjutant General's Department, and so on.

Secretary BAKER. I do not think it will require a day to get it to you; I think the chief clerk has it on his desk.

Mr. GRAHAM. That is what I imagined.

Secretary BAKER. I do not know when the request went in.

Mr. GRAHAM. We sent a request on September 5 and have not gotten the information as yet.

Secretary BAKER. It is very difficult to get that information with the exactitude that bureau chiefs feel under obligation to have it when they deal with your committee, because they are afraid of any

error that may be made being misunderstood. The change of personnel—the employment of new clerks and the discharge of clerks—is constantly going on, and any report they might make to you to-day will not be accurate to-morrow. But I understand what you want and the chief clerk has these figures.

Mr. GRAHAM. If it is within 50 clerks of the total in the department, it will be close enough. We want general results.

Secretary BAKER. Well, I will get it for you with pleasure.

In the meantime, when it comes if you have any suggestion to make as to the situation in The Adjutant General's Office and can give me any counsel about it I will be glad to have it. That is the place where. I will state to you frankly, I am balked; with the demobilization of soldiers, the accumulation of records there is perfectly prodigious.

Mr. GRAHAM. I can tell you what I think about it now, and that is this: If those records were in one hall of records, you could reduce your force of clerks to approximately one half the present number.

Secretary BAKER. I have no doubt that that is so. Yet the fact is that the mail in The Adjutant General's Office amounts to tens of thousands of inquiries a day. But if the records which come in on demobilization of soldiers were simply put into some convenient place for safe custody and gradually indexed it would make it impossible to answer these inquiries for a long time. The Adjutant General feels that it is the best policy to hire all the people he can house and speedily index these records and get them into form.

Mr. GRAHAM. In how many places in the District does the Adjutant General now have records?

Secretary BAKER. I can not tell you; but several.

Mr. GRAHAM. They are scattered all over town, aren't they?

Secretary BAKER. They are scattered, but they are scattered systematically; that is to say, the records which are least used, the very old records, dealing with the Revolutionary War and the War of 1812 and the Mexican War, those records for the most part are in the old Ford Opera House Building, where they have always been. They are not very live records, although persons seeking to join patriotic societies, Daughters of the Revolution, for instance, are constantly asking for records of their fathers and grandfathers, etc. Those records are still alive for that purpose. The War of the Rebellion records are altogether—

Mr. GRAHAM (interposing). Where are they?

Secretary BAKER. I do not happen to know at the present time, but think they are in the Land Office Building; but I am not sure of that.

Mr. GRAHAM. And the draft records are in the Washington Barracks.

Secretary BAKER. The draft records require a space five filing cases high and 7 miles long. The first suggestion with regard to the safe-keeping of those records was that we should put everybody out of the Munitions Building and put those records in there, because that was the only fireproof building of adequate floor space and adequate housing capacity. But that is the busiest building in Washington, and we could not put them in there. They are being housed in the Washington Barracks at the present time.

Mr. GRAHAM. Is the establishment over at First and B Streets—the Statistical Division—still maintained there?

Secretary BAKER. I do not know that.

Mr. GRAHAM. Do you know, Gen. Williams?

Gen. WILLIAMS. No, sir; I do not.

Secretary BAKER. Mr. Ross, in the office of the First Assistant, is the space man and he could come in at a minute's notice and tell you. We are discontinuing the use of rented buildings pretty rapidly and are concentrating all War Department activities into a few of these large buildings; but how fully that has been done I can not answer you.

Mr. GRAHAM. Well, this statement that you will furnish will show that fully. If you will have each department shown, and the number of clerks on the roll, and so on, we will be glad.

Secretary BAKER. We will be very glad to do it.

Mr. GRAHAM. Mr. Jefferis, any questions?

Mr. JEFFERIS. Mr. Secretary, did I understand you to say that Mr. Maltby was expected to advise in regard to these by-product coke ovens?

Secretary BAKER. Yes.

Mr. JEFFERIS. As I remember his testimony, I think he limited his advice to the stripping plants for toluol.

Secretary BAKER. That was the only part we had any interest in. We had no interest in the gas, but only in the stripping.

Mr. JEFFERIS. Well, now, as I remember Mr. Maltby's testimony, and I may be in error about it, but his advice was only sought in regard to the stripping plants that they were constructing in these gas plants, and not to the by-products coke-oven proposition.

Secretary BAKER. I did not so understand it, but that may be true. I did not so understand it; I understood that the whole series of the so-called toluol contracts was submitted to Dr. Maltby, and that he revised them, and put in safeguards, and all the rest of that.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you wish to ask any questions?

Mr. GARRETT. I take it, Mr. Secretary, that none of the settlements in these toluol contracts have come under your personal observation.

Secretary BAKER. Not to me personally; no.

Mr. GARRETT. The statement has been made that settlement has been had with the Jones & Laughlin Steel Co. Has that at any time come under your observation, either before or since the settlement?

Secretary BAKER. No; Mr. Garrett, I think a hundred settlements are made a day, or something like that, and they run from a few dollars to tens of thousands of dollars. The process by which those things get to me personally is that they come to me only in the event of final appeal. If the contractor makes a final appeal it gets to me. I then hear both sides and hear them by brief and orally—or at least I have been doing that.

Mr. GARRETT. Briefly, this Jones & Laughlin case seems to be as follows: The plant which this company had contracted to build, 300 coke ovens, had not been completed at the time of the signing of the armistice; the contract with this company provided that the Government should take all the toluol produced for two years at \$1.50 a gallon; it was estimated and so stated in the contract that the plant would produce 810,000 gallons per year; notice of suspension was sent to the company, but the company did not suspend on its construction work but completed the plant—I assume it has been com-

pleted; negotiations for the settlement were taken up in January and some time, perhaps the latter part of January, as I now remember it, the Pittsburgh Board of Claims made an award based upon the amount named on the contract, of toluol, that is 810,000 gallons, and also the amount of ammonium sulphate; just about this time there was a meeting of a number of gentlemen in New York, and they fixed on a salvage price for toluol of 17½ cents a gallon; also just about this time there appeared what is known in our records and what seems to be generally known as the Falk Chart—an officer by the name of Falk seems to have been engaged in the Ordnance Department; after the appearance of this chart the Pittsburgh Claims Board withdrew its award, reconsidered it, and allowed an increased amount—the total amount in dollars being about \$350,000; that award came to the Washington Board of Claims, and was referred to a Maj. Frankforter, who was not a member of the Board of Claims but was an expert advisor; he disapproved the allowance, stating his reasons, which have been given in our records, but the Board of Claims nevertheless allowed it; and the Falk Chart seems to be, to say the least of it, a maximum chart. That, briefly, is the situation as regards that claim. Of course I do not know whether it is necessary to restate that to you because it probably never came under your personal observation.

Secretary BAKER. No, sir; I never heard anything of it. Has the claim been paid?

Mr. GARRETT. I presume it has, yes; I think it has been paid.

Mr. GRAHAM. Yes; it has been paid.

Mr. GARRETT. Of course the Dent Act gives the department the right to reopen these cases if it is found an improper settlement has been made. It has the right to do so.

Secretary BAKER. Does the record contain the evidence of the War Department Claims Board on that subject of Mr. Dorr and his associates?

Mr. GRAHAM. We had Gen. Burr here.

Mr. GARRETT. It contains the award and it contains the minutes of the Pittsburgh board. I do not think the minutes of the Board of Claims here are very full.

Secretary BAKER. I should think the evidence of the individual members of the board who composed the board that passed on the claim would be important.

Mr. GARRETT. Yes; I think so myself. Well, that is all, Mr. Chairman.

Mr. GRAHAM. Now, I think, Mr. Secretary, that that is all.

Secretary BAKER. I will give you the record of these clerks.

Mr. GRAHAM. If you will we will incorporate it in our record.

(And the witness was excused.)

**TESTIMONY OF MR. THOMAS K. SCHMUCK, FORMERLY CAPTAIN
IN THE ORDNANCE DEPARTMENT, RESIDENCE NO. 33 HOLLY
LANE, CINCINNATI, OHIO.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Before we proceed I want to make a statement: I want to say to all of the gentlemen who are here, including the witness now on the stand, that I am not reflecting on any man's honor

or integrity or connection with the Government by what I am about to say, but I want it understood what our position is in this matter. It will be necessary for me to ask each one of you a question with reference to this matter as to immunity that I think the law requires and that it is the duty of the committee to ask. Now, I want to ask you, Capt. Schmuck, at this time, before you testify, whether you waive any immunity from criminal prosecution that might accrue to you on account of giving the testimony?

Mr. SCHMUCK. Absolutely.

Mr. GRAHAM. Of course, we do not know what you want to show and we want to give you any opportunity you desire about these claims, but we desire that you confine yourself to facts within your knowledge. Do not give hearsay, what somebody has told you, but tell what you know about the claim and confine yourself to the claim or claims, and give us specific facts and make your testimony as brief as you can, to the end that we will not have our record filled with a lot of suppositions, conjectures, and conversations with somebody else.

Now, you may go ahead and state any facts which you desire. Let me suggest further that a showing has been made in this record as to two of these claims that the committee think it unnecessary to go into any more, because Maj. Holder was permitted to insert in the record a written statement relative to the Brier Hill Steel Co. and Henry Moss & Co. Now, the claims that are involved are the claims of the Stein-Burn Camp & Field Equipment Co., National Enameling & Stamping Co., and the American Can Co. Anything you care to state about these claims you may proceed to state.

Mr. SCHMUCK. I should like to make this statement to your committee: That Maj. Holder, Col. Goetz, and myself are here as representative of the Claims Board, Office of Director of Purchase. We have brought with us reports in the matter of the other cases concerning which you have requested information and substantially the same thing as the reports which were submitted in the matter of the Brier Hill Steel Co. and in the matter of the Henry Moss & Co. These reports we understand are not acceptable to your committee, and we have therefore brought with us various witnesses whom we feel may be of service to you in arriving at a true understanding of the settlement of the various cases in question.

The witnesses who are here this morning are Mr. F. M. Van Horne, formerly captain, Quartermaster Corps, who is the officer who negotiated the settlement of the seven American Can Co. cases, concerning which you have inquired.

We have here Mr. H. R. Roberts, who was connected with the office of the Zone Supply Officer, Chicago, and who largely negotiated the settlement of the three cases of the Stein-Burn Camp & Field Equipment Co.

There is also present Col. George B. H. Goetz, a member of the board, and Capt. H. W. Benke, who had considerable to do with the final settlement of the claims. I am informed that Mr. Ben Stein, who is the vice president of the Stein-Burn Field and Camp Equipment Co., is on his way to Washington. He is not brought on as a witness in the case, as the only persons whom we have felt at liberty to call upon were those in the service of the Government

or those formerly in the service of the Government. However, I have been advised that he desires to come on and present to your committee a full statement of the facts in the settlement of these three cases. I was informed that he was to be here at 9.30 o'clock this morning, but so far he has not arrived.

In the matter of the Esline Co.—

Mr. GRAHAM (interposing). I might say, incidentally, that perhaps Mr. Benett mislead your board somewhat. We did not go into the Esline matter. It is not in the record.

Mr. SCHMUCK. Oh, it is not in the record?

Mr. GRAHAM. No.

Mr. SCHMUCK. You do not desire that?

Mr. GRAHAM. We do not care anything about that.

Mr. SCHMUCK. We will eliminate anything about the Esline Co. We, however, called various witnesses in that case and we are prepared to report on that case inasmuch as Mr. Bennett, representing the committee, stated he desired a report on it.

Mr. GRAHAM. There is nothing in the record at all about it.

Mr. SCHMUCK. All right. In the matter of the National Enameling & Stamping Co., the negotiating officer was Mr. J. H. Caswell, formerly a major, Quartermaster Corps. Mr. Caswell has been discharged from the service for some time, and has been on vacation, on a fishing expedition in northern Minnesota. An attempt was made to get in touch with Maj. Caswell. A subpoena was issued and left to be served upon him at his residence in Chicago, but, of course, he was not there. We have, however, communicated with Maj. Caswell, but we are unable to secure his presence this morning. Maj. Caswell will be here to-morrow morning. By reason of the distance he was unable to be present as you requested.

In the matter of the Brier Hill Co., we, of course, have submitted a report, and I understand that that matter is closed. Is that so?

Mr. GRAHAM. Yes.

Mr. SCHMUCK. The same thing is true as to Henry Moss & Co. The witnesses who negotiated the settlement in both cases are present.

Mr. GRAHAM. Those are all in the record in full.

Mr. SCHMUCK. All right.

Now, I should like to make this statement which may be relevant in regard to the National Stamping & Enameling contract case No. 797. Mr. Swartzburg, of that company, happened into my office on the morning of the Pershing parade, and he spoke to me about the various settlements that you have inquired about, or rather I spoke to him about them. He had in his pocket one of the latches, which constitutes an item of salvage, which he gave to me and which I now show to your committee. [The witness produces the latch referred to.] I can not tell you gentlemen what the function of that is, because I do not know, but it is called a latch and was one of the salvage matters; 17,540 of those, as I recall, at a salvage of \$17 a ton.

Mr. GRAHAM. That is to hold down the lid of the boiler, isn't it?

Mr. SCHMUCK. Perhaps so; that appears in P. C. 797.

Mr. Swartzburg at that time made a statement to me which he had previously made to various officers, stating that the material was absolutely worthless to him and at any time the United States

Government wanted these articles that the United States Government could have them if the United States Government would only be good enough to pay the freight on them to any point where they wanted them shipped.

Mr. GRAHAM. Have you anything further about that?

Mr. SCHMUCK. No, sir.

TESTIMONY OF MR. FRANK M. VAN HORNE.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Give your full name.

Mr. VAN HORN. Frank M. Van Horn.

Mr. GRAHAM. Do you waive any immunity that might accrue to you on account of your testimony in this matter?

Mr. VAN HORN. Yes, sir.

Mr. GRAHAM. I assume that you have particular knowledge of some of these claims that are being debated?

Mr. VAN HORN. I negotiated all the terminations of all the American Can Co.'s contracts.

Mr. GRAHAM. Now, inasmuch as I do not know just what your information is, I assume it will be necessary for you to make your statement in your own way, giving that information, what occurred in it, and stating any facts that you think are pertinent and material.

Mr. VAN HORN. I don't know exactly as to what portion of the claims are in question, or whether it is the entire—

Mr. GRAHAM (interposing). Let me suggest to you. In the first place, you were in the military service, were you?

Mr. VAN HORN. Yes, sir.

Mr. GRAHAM. In what capacity?

Mr. VAN HORN. Captain, in the Quartermaster Corps.

Mr. GRAHAM. In the Quartermaster Corps?

Mr. VAN HORN. Yes, sir.

Mr. GRAHAM. Here is the thing the committee has been debating to some extent: The salvage value of tin and special facilities has been the principal mooted question.

Mr. VAN HORN. Would you care to know the procedure that I went through in determining the salvage values?

Mr. GRAHAM. Well, if you think that would throw any light on it. We want to know anything that would help us to arrive at the correct conclusion about these matters.

Mr. VAN HORN. In determining the salvage values of the equipment—special equipment for those contracts—I was pretty well familiar with all this equipment, because I had helped the contractors to secure it. It was all purchased during the stress of war times at exceedingly high prices of cost of manufacture on account of a great deal of overtime, and it had increased the cost beyond what it ordinarily cost in these times. I personally verified their statements as to the items on their claims by going through their factories; that is, New York, and having Quartermaster officers in Chicago, New Orleans, and St. Paul verify it in those factories. The New York contract was by far the largest, and the first one settled, and the balance were settled on the same basis as the New York contract.

Mr. GRAHAM. Incidentally there, wasn't that the rule in these matters, that you would use the first settlement as a precedent?

Mr. VAN HORN. To a certain extent; it all depended on the circumstances.

Mr. GRAHAM. And where a salvage value had once been established in a certain commodity, such as tin plate or sheet steel, or anything of the kind, in succeeding settlements the claims boards would be apt to refer to those and be governed by them to a considerable extent?

Mr. VAN HORNE. Yes; that is true.

Mr. GRAHAM. Now, proceed.

Mr. VAN HORNE. I first requested the American Can Co. to give me a statement of the equipment, an itemized statement as to the cost, and the salvage they were willing to allow. After verifying that statement, I also verified the original invoices as to cost in their offices and negotiated with them to try to have the offer in some cases reduced, which I did. I think I reduced the original claim \$75,000 on tin plate and equipment. And then either I or Lieut. Daneman, who was my assistant, went through the various manufactories, the second-hand dealers, jobbers of equipment of tin plate, to secure offers from them. This machinery and tin plate was all in a factory where it could be seen and some of the dealers would go out to look at it. Of course, the manufacturers knew what it was and how long it had been in use, and those things. There was only one lot on which we received any offer in excess of the offer made by the American Can Co., and that was a small item of a couple of hundred dollars, which they increased their offer to meet, rather than to complicate the case.

Mr. GRAHAM. Would it interrupt you if I asked you a question here?

Mr. VAN HORNE. No.

Mr. GRAHAM. Well, now, in trying to dispose of this tin plate, did you have charge of checking up by—

Mr. VAN HORNE (interposing). Verifying the tin plate?

Mr. GRAHAM. Yes.

Mr. VAN HORNE. As to the amount there, and so forth?

Mr. GRAHAM. Yes.

Mr. VAN HORNE. Yes; that is, in New York.

Mr. GRAHAM. What did you do; did you go there and actually look?

Mr. VAN HORNE. Yes, sir; I went there and actually counted the boxes myself, and Lieut. Daneman.

Mr. GRAHAM. Did you have any way of knowing when they got the tin?

Mr. VAN HORNE. Not as to when it actually arrived at the factory; no, sir.

Mr. GRAHAM. All you knew is you went to the warehouse or wherever it was and counted certain boxes that they told you was the tin plate for that?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Did you ask them how much they had of the special kind and then count that?

Mr. VAN HORNE. Yes, sir; and that was perfectly obvious, because of the size. They would never have purchased that size for any other cans, I suppose.

Mr. GRAHAM. Well, they made all kinds of tin cans, I suppose?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. And still do make all kinds of tin cans?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Did you look at the bills of lading to see when they received them?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. Did anybody else, to your knowledge?

Mr. VAN HORNE. Not to my knowledge; I do not suppose they did.

Mr. GRAHAM. So all you know is that in their warehouse, at the time they settled this contract, there were boxes of tin that corresponded with the amount that they claimed?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. What did you do, Captain, in order to try to ascertain whether there was a market for this tin plate? You have detailed in brief; what did you do?

Mr. VAN HORNE. I would like to read. First read—

Mr. GRAHAM (interposing). No; you can refresh your memory by looking at it, but just tell us what you did.

Mr. VAN HORNE. I offered this tin plate to the American Sheet & Tin Plate Co.

Mr. GRAHAM. How did you offer it to them—how did you go about it?

Mr. VAN HORNE. I merely stated the amount of tin plate the Government had or contemplated taking over on contracts and requested an offer on it.

Mr. GRAHAM. Did you go to them personally, or write to them about it?

Mr. VAN HORNE. I went to them personally.

Mr. GRAHAM. At their New York office?

Mr. VAN HORNE. At their New York office.

Mr. GRAHAM. Who else did you see?

Mr. VAN HORNE. The Pittsburgh Can Co., both at the New York office and Pittsburgh.

Mr. GRAHAM. Did you go to Pittsburgh to see them?

Mr. VAN HORNE. Lieut. Denaman, my assistant. Shalita Bros.

Mr. GRAHAM. Did you see them?

Mr. VAN HORNE. In my own office in New York; they are a New York concern. The General Can Co., New York, Mr. Frank Landon, president.

Mr. GRAHAM. Did you go there?

Mr. VAN HORNE. No, sir; Mr. Frank Landon came to my office; he is president of the company. Mr. R. Rothschild.

Mr. GRAHAM. Did he come to your office?

Mr. VAN HORNE. Yes, sir; he is a second-hand dealer. McVoy Sheet & Tin Plate Co. I understand they are the largest jobbers in odd lots of tin plate in the United States. They have offices in New York, but in other large cities also. The Trumbull Steel Co. in New York. The Corn Products Co., in their New York office.

Mr. GRAHAM. The Corn Products Co.; what is that?

Mr. VAN HORNE. The Corn Products Co.; they are the ones that make the Karo syrup, and make their own cans.

Mr. GRAHAM. How long do you think these negotiations took you?

Mr. VAN HORNE. I started on it—on negotiating the hard-bread can contracts—

Mr. GRAHAM. I mean, trying to sell this tin plate.

Mr. VAN HORNE. Oh!

Mr. GRAHAM. How long did it take you?

Mr. VAN HORNE. Several weeks; I do not know exactly how long. I had had the settlement of several previous contracts, hard-bread cans, which were somewhat similar, although much smaller.

Mr. GRAHAM. Well, after you fixed the salvage value, then you simply governed yourself by that precedent, didn't you?

Mr. VAN HORNE. No, sir; I continued to look into the market and keep in touch with the tin-plate situation.

Mr. GRAHAM. Did you look at the market as it was shown by the daily press?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Well, did that govern your action any?

Mr. VAN HORNE. To a great extent; yes, sir.

Mr. GRAHAM. What market did the daily press report; what did the daily papers show?

Mr. VAN HORNE. \$7.35 per base box.

Mr. GRAHAM. After that it went down to \$7?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. In other words, it was \$7.75 and then \$7.35 and then \$7?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. That has been the price of tin plate?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. How many of these companies were secondhand dealers?

Mr. VAN HORNE. Only one, I would really call a secondhand dealer; that is, R. Rothschild; he is a very large secondhand dealer in machinery, and also some tin plate.

Mr. GRAHAM. He is a junk dealer?

Mr. VAN HORNE. No; he buys in odd lots.

Mr. GRAHAM. Well, he is a junk dealer.

Mr. VAN HORNE. No; I wouldn't call him that. He buys a good bit of machinery manufactured for some special can, and I believe he has a shop where he can change that machinery over to some machinery a man may want.

Mr. GRAHAM. I am curious to know how you happened to ask the particular companies. How many companies are there in the United States that handle tin plate?

Mr. VAN HORNE. I have no idea.

Mr. GRAHAM. A great many?

Mr. VAN HORNE. A great number.

Mr. GRAHAM. Do you know whether any of them are or were connected with the American Sheet & Tin Plate Co.?

Mr. VAN HORNE. I mentioned them.

Mr. GRAHAM. Do they have any connection—

Mr. VAN HORNE (interposing). To my knowledge, it has no connection with the American Can Co.

Mr. GRAHAM. Did you offer any of this to the independent tin-plate people that you know of?

Mr. VAN HORNE. Do you mean dealers?

Mr. GRAHAM. Yes; dealers or manufacturers.

Mr. VAN HORNE. I offered it to dealers and manufacturers.

Mr. GRAHAM. Anybody except what you have got there?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. And you thought that was a fair test of the salvage value, did you?

Mr. VAN HORNE. I felt that I had gone into the matter sufficiently to feel sure that the salvage offered by the American Can Co. was better than we could secure from any other source.

Mr. GRAHAM. How much was that?

Mr. VAN HORNE. \$3.50 a base box. I might say in that connection I was in touch with the quartermaster in Washington, Chicago, and Baltimore, and ideas and conversations I had in the various places led me to form my conclusions.

Mr. GRAHAM. What was your business before you went into the service?

Mr. VAN HORNE. Paper business.

Mr. GRAHAM. What do you mean; did you make paper?

Mr. VAN HORNE. Yes, sir. Just previous to entering the service I was selling paper for John S. Sorrell Co. I had been a manufacturer.

Mr. GRAHAM. What business are you in now?

Mr. VAN HORNE. The paper business.

Mr. GRAHAM. The same line as before?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Had you ever had any experience in tin plates or metal?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. Who assigned you to the settlement of these contracts?

Mr. VAN HORNE. Capt. George G. Andrews.

Mr. GRAHAM. Was he a paper man also?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. What particular qualification or preliminary training had you had to fit you to settle contracts of this kind?

Mr. VAN HORNE. I had handled the purchasing of hard-bread cans.

Mr. GRAHAM. Well, you had handled this same contract?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Did you enter into these contracts?

Mr. VAN HORNE. Yes; that is, I negotiated these contracts.

Mr. GRAHAM. You negotiated them, but did not sign the contracts, I understand you?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. Well, I am speaking of your preliminary business training now; what training had you had to qualify you as a man properly qualified to settle these contracts?

Mr. VAN HORNE. Previous to my entering the service?

Mr. GRAHAM. Yes.

Mr. VAN HORNE. None, excepting general business experience.

Mr. GRAHAM. How old a man are you, captain?

Mr. VAN HORNE. Thirty-three.

Mr. GRAHAM. Well, now, leaving that, is there anything further in any of these contracts that you want to suggest? I do not want to interrupt you if you want to make a statement.

Mr. VAN HORNE. No; I have nothing except that that I care to bring out. I feel that I am fully acquainted with all the facts regarding those contracts and any information the committee desires I would gladly furnish.

Mr. GRAHAM. Mr. Jefferis, do you want to ask him any questions?

Mr. JEFFERIS. Could you tell the committee the amount of money that the American Can Co. was allowed for depreciation of tin plate on the four settlements made?

Mr. VAN HORNE. The total amount?

Mr. JEFFERIS. Yes, sir.

Mr. VAN HORNE. No, sir; I could not give that off hand.

Mr. JEFFERIS. Can you give me the depreciation that was allowed; that is, in claim 3660?

Mr. VAN HORNE. The total amount of the claim?

Mr. JEFFERIS. No; for the raw material.

Mr. VAN HORNE. Tin plate, I understand you, \$158,119.17; that was on contract 3660, 10047, 10043, and 10042.

Mr. JEFFERIS. In other words, those four contracts were lumped?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Now, could you give me the amount of depreciation that was allowed and paid the company on contract 15080 G, I think it is?

Mr. VAN HORNE. I believe it is in these papers, but these were just handed to me this morning and I have not got it clear entirely.

Mr. GRAHAM. We can give you a printed copy.

Mr. JEFFERIS. No; I want to see whether we have the thing correct or not.

Mr. VAN HORNE. I believe it is \$85,784.40.

Mr. JEFFERIS. Is it \$85,000 or \$95,000?

Mr. VAN HORNE. \$95,000, I beg pardon.

Mr. JEFFERIS. Now, how much is it?

Mr. VAN HORNE. \$95,784.40.

Mr. JEFFERIS. Now, that was the settlement, as paid, as you understand it, for raw material?

Mr. VAN HORNE. For raw material; yes, sir.

Mr. GRAHAM. For tin plate in that contract?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Now, is there any other contract 15080, or is that the same one?

Mr. VAN HORNE. That 15080 is the one I was just referring to. I understood that was the one you asked for.

Mr. JEFFERIS. Some have a "G."

Mr. VAN HORNE. That is the same; that is a Chicago contract.

Mr. JEFFERIS. That is the one that sort of bothered me. Now, what depreciation was allowed the American Can Co. for tin plate on contract 8487 G?

Mr. VAN HORNE. \$9,628.50.

Mr. JEFFERIS. What depreciation was allowed to the American Can Co. on tin plate on a contract 319-2-2?

Mr. VAN HORNE. I do not seem to have the details of that contract here, the settlement.

Mr. GARRETT. In the printed record the special facilities come ahead of the tin plate.

Mr. VAN HORNE. I have all the American Can Co. papers here, I believe; I believe the correct amount on that is \$13,093.91.

Mr. JEFFERIS. We have on our figures here—I do not know whether that was the claim, but on page 977, \$13,175.19.

Mr. VAN HORNE. That was later reduced by \$81.28.

Mr. JEFFERIS. So the amount allowed was \$13,093.91?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Then, on depreciation of tin plate alone that was allowed; that is, the Can Co. was allowed about \$275,000?

Mr. VAN HORNE. Approximately.

Mr. JEFFERIS. And were they paid that much?

Mr. VAN HORNE. I believe they were.

Mr. JEFFERIS. Now, the basis on which you arrived at this depreciation per base box was the difference between what amounts?

Mr. VAN HORNE. On the base box, the difference between \$5.50 and \$7.35. The American Can Co. had approximately 50 cents per base box for handling and carrying charges which we would have had to assume—which the Government would have had to assume—had we taken that over.

Mr. JEFFERIS. Well, wasn't that paid in addition to the handling charges?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Well, we have had considerable testimony here, Mr. Van Horne, from independent can companies, saying that the market value of tin plate had not fallen below \$7 at any time since the armistice.

Mr. VAN HORNE. I believe that is correct, sir. It was \$7.35 at the time this settlement was made.

Mr. JEFFERIS. Well, wasn't it really scarce in the country?

Mr. VAN HORNE. No, sir; there was a great oversupply. The can manufacturers had more than they knew what to do with.

Mr. JEFFERIS. Did the American Can Co., when it filed its claims originally, offer to take this at \$5.50?

Mr. VAN HORNE. They offered to take part of it at \$5.50, not all of it. Later the offer was increased to take all of it at \$5.50.

Mr. JEFFERIS. Well, did they in their original claims say what the salvage values were?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Or had that been ascertained?

Mr. VAN HORNE. I requested first a statement from them as to what they were willing to offer. Later that original claim was materially changed. I believe it was reduced about \$75,000. That is, on the New York claim alone.

Mr. JEFFERIS. Just what did you do, if anything, in checking up to see whether they actually had all of this tin plate on hand in these various factories?

Mr. VAN HORNE. I and Lieut. Daneman verified it by actually counting the boxes, and had the Chicago office verify it in Chicago and St. Paul and the New Orleans office verify that in New Orleans.

Mr. JEFFERIS. Why was it, in your opinion, Mr. Van Horne, that the American Can Co., that had 55 factories over the United States engaged in manufacturing tin cans, with a market value of tin plate at that time being \$7.35, only offered or were willing to allow the Government \$5.50 per base box?

Mr. VAN HORNE. Because they estimated that it would take six months to use this tin plate, on account of the large supplies of tin plate that was in their various factories; in addition to that it would have to be shipped from the factories it was in to other factories; there would also be a depreciation on account of the special size; this was all cut to make the sizes and shaped cans exactly. To make any other can it would entail quite a loss.

Mr. JEFFERIS. Did they make that claim to you?

Mr. VAN HORNE. They not only made it, but I know it to be a fact from examinations and conversations with a dozen manufacturers.

Mr. JEFFERIS. Do you say there would be any loss at all—

Mr. VAN HORNE (interposing). Yes, sir.

Mr. JEFFERIS (continuing). By manufacturing this into other products?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. From whom did you get that information?

Mr. VAN HORNE. The General Can Co., Shalita Bros., and the American Metal Works Co., Buffalo.

Mr. JEFFERIS. Did any of these companies have claims also?

Mr. VAN HORNE. Yes, sir; they all did.

Mr. JEFFERIS. And they were interested in getting settlements made, were they?

Mr. VAN HORNE. Yes, sir; they already had their settlements when this matter came up.

Mr. JEFFERIS. Now, did you consult any can companies as to whether or not there would be any real loss in making these cans in the ordinary course of business who did not have or had not had claims against the Government?

Mr. VAN HORNE. I am not sure that I did. I believe any can-making expert, though, would verify my statement.

Mr. JEFFERIS. Well, the trouble is a whole lot that we have had here as witnesses did not seem to do it, who did not have any contract with the Government. I was trying to find out whether you confined your inquiries to those having claims or expected to have claims against the Government.

Mr. VAN HORNE. Well, of course, in taking this up with the various jobbers of tin plates that I mentioned before, they took that into consideration in their offer; that they would not be in position to estimate what the loss would be. That can only be determined.

Mr. JEFFERIS (interposing). Did the American Can Co. inform you or give you any information as to how hard it had been for them to get this tin plate?

Mr. VAN HORNE. Yes, sir; I was in touch with the situation at all times. I consider it a part of my duty to see that they had sufficient tin plate on hand to keep their factories in operation.

Mr. JEFFERIS. In order to get it at all they had to have their orders in two or three months ahead of the time to manufacture, in order that the tin-plate manufacturers might get it out and send it to them?

Mr. VAN HORNE. I do not believe that was always the case. It was in the early stages of 1918, but I believe in the fall the tin-plate situation got very much better and the deliveries came along.

until all the factories who had orders in the tin-plate mills got a good deal quicker deliveries than they expected, and I know several of them found difficulties to get storage places when it arrived.

Mr. JEFFERIS. Did you have any talks with Mr. Ismon?

Mr. VAN HORNE. No, sir; Mr. Ismon is secretary and treasurer, as I understand it, and had no part in negotiating or terminating these contracts.

Mr. JEFFERIS. Then you say, do you, that there was plenty of tin plate in the country, and that the American Can Co. did not have any trouble in getting this tin plate?

Mr. VAN HORNE. I made that statement as to the fall of 1918; that is, say about two months previous to the signing of the armistice. I do not believe that they had a great deal of trouble then. In the summer it was very difficult to get it.

Mr. JEFFERIS. Now, did you really try to sell this tin plate or get prices for this tin plate from anybody that did not have claims against the Government, either already settled or expected to be settled?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Who, for instance?

Mr. VAN HORNE. The McVoy Sheet & Tin Plate Co.

Mr. JEFFERIS. Were they manufacturers?

Mr. VAN HORNE. No, sir; jobbers. There isn't a tin plate manufacturer in the country, to my knowledge, who would use as large an amount as this in a year's time, outside of the ones who had the hard bread contracts; there may be, but I do not know them.

Mr. JEFFERIS. Don't you think the American Can Co. would, having 55 factories?

Mr. VAN HORNE. I said outside of the ones having the contracts. This is considered a very large contract. Over 100,000 base boxes involved. The only way the loss could be determined on this tin plate in making the commercialized cans is to know what size you are going to make of them. That is a very peculiar size.

Mr. JEFFERIS. You, being a paper man, never had any experience, I take it, Mr. Van Horne, in the actual manufacture of cans, did you?

Mr. VAN HORNE. Not until after I was in the service. I took a great deal of interest after I was in the service. I felt it was my duty to know the process and the market on tin plate, and so forth.

Mr. JEFFERIS. But you really had no actual experience?

Mr. VAN HORNE. Not previous to entering the service.

Mr. JEFFERIS. Well; you didn't do any actual cutting out or anything of that sort while in the service, did you?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. All you had was the knowledge you gained going through the factories and observing what was being done?

Mr. VAN HORNE. Yes; and conversations with various tin manufacturers and can manufacturers.

Mr. JEFFERIS. Anyhow, as I understand you now, the American Can Co. claimed there would be considerable waste did they in this tin plate?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. They made that representation to you when you were trying to effect the settlement, did they?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Now, who made that representation to you?

Mr. VAN HORNE. Well, Harry Craver. That was taken into consideration in the settlements of hard-bread contracts.

Mr. JEFFERIS. What other companies had hard-bread contracts?

Mr. VAN HORNE. Several in Baltimore; quite a few in Chicago, and in the New York zone, the Pittsburgh Can Co.; The American Metal Ware Co.; Shalita Bros., and the American Can Co.

Mr. JEFFERIS. Did they all make these representations to you that there would be a loss or waste on this matter?

Mr. VAN HORNE. Yes, sir; I know it was taken into consideration also in the settlements of the Chicago and the Dayton, Ohio, contracts and the Baltimore contracts.

Mr. JEFFERIS. That was on the theory that they did not know what kind of cans they would make; is that it?

Mr. VAN HORNE. Yes; on the theory that it was practically impossible to conceive—there was no regular commercial can from which this tin plate could be cut without a loss. The commercial cans are cut from a standard-sized tin plate.

Mr. JEFFERIS. Well, according to the evidence this committee has, Mr. Van Horne, from these independent manufacturers there is really no waste; that they take these smaller pieces that are cut off and use them for the tops, and there is practically no waste.

Mr. VAN HORNE. That may be true in a small factory where they make a few thousand cans, but not in the large factories.

Mr. JEFFERIS. Then you think these large manufacturers of cans are more wasteful of material; is that it?

Mr. VAN HORNE. I am not in position to state that.

Mr. JEFFERIS. But they claimed that, did they?

Mr. VAN HORNE. They did; yes, sir.

Mr. JEFFERIS. And they claimed that to you when they were putting forth this claim for settlement?

Mr. VAN HORNE. Not only the large, but the small manufacturers, I think, were allowed by all the zones that had the settlement of hard-bread can contracts.

Mr. JEFFERIS. Did you consider the fact in your allowing the salvage values and the depreciation thereof that these companies were interested to try to drive a close bargain with the Government or not?

Mr. VAN HORNE. In some cases they were and in some cases they were not. The American Can Co. did not, in my estimation, attempt to drive a hard bargain.

Mr. JEFFERIS. You think such a deduction from \$7.75 to \$5.50, was it, and that was a fair reduction on tin plate—

Mr. VAN HORNE (interposing). I did; yes, sir.

Mr. JEFFERIS. The market at that time being \$7.35?

Mr. VAN HORNE. Yes; considering there were carrying charges which we would have had to pay had we taken it over; also freight to whatever points it was to be used.

Mr. JEFFERIS. You say you had negotiated these can contracts in their inception?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. How did you arrive at the cost per can, Mr. Van Horne, that these companies were to have for manufacturing these cans?

Mr. VAN HORNE. The original contract was not placed by me. I followed precedents established by previous contracts. Later there was a committee or commission to investigate in Washington prices paid for the hard-bread cans, and the future contracts were placed on that basis.

Mr. JEFFERIS. You say you were following precedents to allow the American Can Co. to charge the amount it did for these cans in the first instance?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. And you in doing that, I take it, did not go into the question of whether their price was a reasonable and fair one or not?

Mr. VAN HORNE. No; but I believe there was a clause in that contract whereby if after investigation by the War Trade Board the price could be reduced if it was found excessive. I am not positive about that, though. I did not draw the contracts. If there was not, there should have been one.

Mr. JEFFERIS. Did you at any time make any investigation as to what was a fair price for the manufacture of tin cans such as this?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. How did you go about it?

Mr. VAN HORNE. The only independent concern in the country was the Green & Green Bros. Co., at Dayton, Ohio. They had to put in their own machinery to make them. I had several conversations with Messrs. Green Bros. to find out what their costs were. Mr. Joseph Green was appointed as one of the members of this committee.

Mr. JEFFERIS. What committee?

Mr. VAN HORNE. Appointed by the Quartermaster General to investigate the prices being paid for tin cans. Mr. Frank Landon, resident of the General Can Co. of Chicago, was also on the committee.

Mr. JEFFERIS. When was that?

Mr. VAN HORNE. In the summer of 1918.

Mr. JEFFERIS. How long were you following precedence in letting these contracts to the American Can Co., Mr. Van Horne?

Mr. VAN HORNE. Several months; I do not know how long.

Mr. JEFFERIS. And you really assumed on doing that that the first contract the American Can Co. had entered into with the Government was a fair price per can, did you?

Mr. VAN HORNE. I assumed that it was, although I had no way of knowing.

Mr. JEFFERIS. What officer had selected you to negotiate for cans and contracts?

Mr. VAN HORNE. Col. John Tyssowski.

Mr. JEFFERIS. Did he know anything about manufacturing cans, either?

Mr. VAN HORNE. To the best of my knowledge, he did not.

Mr. JEFFERIS. What had been his business, do you know, before?

Mr. VAN HORNE. Running the Childs Restaurants.

Mr. JEFFERIS. He had been in the restaurant business and you had been in the paper business?

Mr. VAN HORNE. Yes, sir; he was not running a restaurant; he was connected with the company, but not running the restaurant.

Mr. JEFFERIS. What did he do; do you know?

Mr. VAN HORNE. I do not know exactly what his business was, but he was in the executive offices.

Mr. JEFFERIS. Was there anybody in the department that really knew anything about the manufacture of tin cans?

Mr. VAN HORNE. No, sir; I was in the Subsistence Department.

Mr. JEFFERIS. Now, none of these contracts, as I understand them, Mr. Van Horne, had any provisions in them regarding the increased facilities and machinery to be furnished to the American Can Co.—at least I can not find any—was that true?

Mr. VAN HORNE. I do not know. I have never read the contracts. They were drawn by another service, entirely on information supplied by me.

Mr. JEFFERIS. Well, when you came to settle with the American Can Co., how was it, if there was no provision in the contract for the amortizing of the special facilities and machinery that allowances were made to the American Can Co. for that machinery and equipment?

Mr. VAN HORNE. Those contracts were all settled on instructions as laid down in supply circular No. 111, which allowed that.

Mr. JEFFERIS. Well, now, didn't that supply circular direct you or direct anyone making a settlement that when the contracts themselves did not provide for special facilities and machinery that allowances were to be made to the manufacturer?

Mr. VAN HORNE. It did, sir.

Mr. JEFFERIS. What kind of a showing would they have to make to get such an allowance?

Mr. VAN HORNE. Well, they had to prove that they had secured those special facilities for this particular contract.

Mr. JEFFERIS. In other words, if a contractor entered into a contract with the War Department to furnish so many bread cans at such and such a price, then when the time of settlement came, if they had not furnished them all and they claimed they had furnished or had purchased some special facilities and machinery to do the work that the Government should pay for it?

Mr. VAN HORNE. Providing the contract had been completed?

Mr. JEFFERIS. No; if it had not been completed.

Mr. VAN HORNE. In proportion the amount the contract had been completed; yes, less the salvage value.

Mr. JEFFERIS. Wasn't that going outside of the terms of the contract entirely?

Mr. VAN HORNE. The terms of the contracts made no provision for terminating the contracts in most cases.

Mr. JEFFERIS. Well, suppose it didn't; the terms of the contract did not make any provision in those cases I am speaking of for allowing the American Can Co. special facilities.

Mr. VAN HORNE. There was no provision in those cases. Contract 3660 has a clause whereby it could be terminated on 90 days' notice, as they were manufacturing 500,000 cans a day. You can see how many they would have furnished—

Mr. JEFFERIS (interposing). I know, but that is not answering the question. If the contract contained no provision to have special facilities and machinery, why was it that these companies were allowed to charge up all those special facilities and machinery?

Mr. VAN HORNE. Because that was the instructions I had to follow.

Mr. JEFFERIS. Without regard to what the terms of the contracts were?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Well, now let us take these contracts here. As I understand it, take contract 3660 of the American Can Co.; can you tell us from their contract how much their claim was for special facilities and machinery on that contract and its subsidiary ones; that is, the ones that were lumped in with it?

Mr. VAN HORNE. Yes, sir; I can give you all the details of that in just a moment.

Mr. JEFFERIS. The total of it and what they claimed the salvage value was on that machinery and equipment?

Mr. VAN HORNE. I have it all in condensed form here somewhere.

Mr. JEFFERIS. I have it here, special facilities, Ilsley factory—

Mr. VAN HORNE (interposing). Yes; there are two factories in this one contract. I haven't got the totals right here, though.

Mr. JEFFERIS. I wish you would get it out. I have made some calculations here and I want to see if I am correct.

Mr. VAN HORNE. Special facilities, Ilsley factories, \$34,717.28; Salvage value allowed, \$12,069.93.

Mr. JEFFERIS. Now, as I understand that transaction, then, the company claimed to have purchased special facilities and machinery for the Ilsley factory?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. To the amount, \$34,717.28?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Yes; and then they were permitted to retain it at a salvage value of \$12,069.93?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Now, how about the Long Island factory?

Mr. VAN HORNE. The original cost \$121,824.60.

Mr. JEFFERIS. And then retained it at a salvage value of how much?

Mr. VAN HORNE. \$23,412.14.

Mr. JEFFERIS. Now, how about contract 15080? What was the claimed cost of machinery and special facilities there?

Mr. VAN HORNE. The cost of special facilities in Chicago factory, \$1915.58; salvage value, \$98.58. That does not represent all the special facilities in that factory; that is almost as large as the Long Island factory.

Mr. JEFFERIS. I have figured at \$2,856.66 as the cost, or did you cut that down somewhere? Maybe I am wrong.

Mr. VAN HORNE. I am not sure; the records here are not exactly clear.

Mr. JEFFERIS. Your figures are what?

Mr. VAN HORNE. \$1,915.58.

Mr. JEFFERIS. There are two items there in the Illinois factory!

Mr. VAN HORNE. The Chicago factory—

Mr. JEFFERIS (interposing). In the Illinois factory, \$1,866.62, and then the Chicago factory, \$949.24.

Mr. VAN HORN. That is the way it shows here; I have not the original records; I am not sure that is correct.

Mr. JEFFERIS. Well, could you give the two factories?

Mr. VAN HORN. As I have it, the Illinois factory, \$1,966.42; Chicago factory, \$949.24. I have not the original figures here, and I do not know which is correct.

Mr. JEFFERIS. Well, the salvage value that is allowed for all of that amounted to \$98.50?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Now, could you tell us what was the claim for special facilities and machinery under contract 8487-G?

Mr. VAN HORNE. \$1,484.29.

Mr. JEFFERIS. And they retained that at a salvage value of what?

Mr. VAN HORNE. \$97.

Mr. JEFFERIS. Now, can you tell us the claim of that company for increased facilities and machinery for contract 319-2-2?

Mr. VAN HORNE. I believe that is the New Orleans claim. No; there is not a copy of the original claim here. I can not give you that information.

Mr. JEFFERIS. Well, as you recollect, was there any changes made in their claim as to amounts which they claimed to have expended for increased facilities and machinery, or not?

Mr. VAN HORNE. Yes; I know there was a small reduction in the original claim as to the salvage allowance allowed.

Mr. JEFFERIS. Did they in their claims set forth what they claimed was the salvage value of this equipment and machinery?

Mr. VAN HORNE. Yes, sir; their original claim was not allowed, however.

Mr. JEFFERIS. Well, did they claim that the salvage value was less than what you did allow?

Mr. VAN HORNE. Considerably. I believe, to the best of my recollection, the New York claim, from their original claim, was reduced \$75,000, approximately.

Mr. JEFFERIS. And they wanted to retain all of this machinery and equipment, which according to my tabulation amounted to \$165,855.56 for what sum, originally?

Mr. VAN HORNE. I don't know; I have not the records here.

Mr. JEFFERIS. But they were permitted to retain it at a salvage value of \$35,600 and something?

Mr. VAN HORNE. Well, of course, the loss sustained by the Government was prorated between the proportion of the contract completed.

Mr. JEFFERIS. I know, but the salvage value of all of this machinery and equipment figured up in the four claims to \$35,600, didn't it?

Mr. VAN HORNE. Approximately.

Mr. JEFFERIS. Of course, the lower the salvage value that they could have on these special facilities and equipment purchased the more their claim would be?

Mr. VAN HORNE. Naturally.

Mr. JEFFERIS. Now, wasn't this machinery that they had purchased new machinery, Mr. Van Horne?

Mr. VAN HORNE. They only made claim for new machinery or they were only allowed to make claims for new machinery or rebuilding old machinery; and the machinery that they could use in any other factory, or in any other capacity before they made no claim for.

Mr. JEFFERIS. This is what their representations were to you, or statements to you?

Mr. VAN HORNE. I believe it to be a fact.

Mr. JEFFERIS. I am not asking you whether it was a fact; I am asking you if that was their statement?

Mr. VAN HORNE. Yes; I could not go around to their several factories to ascertain.

Mr. JEFFERIS. I suppose you, being a paper man, would not know whether they were telling the truth anymore than anybody else would know?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. But they represented to you that they had put in claims only for new machinery or rebuilt machinery?

Mr. VAN HORNE. The cost of machinery.

Mr. JEFFERIS. Now, all of this machinery, whether rebuilt or purchased new, had been used but a short time?

Mr. VAN HORNE. No, sir; some had seen some heavy use for a long time; the Long Island factory ran 22 hours a day for some time.

Mr. JEFFERIS. How long?

Mr. VAN HORNE. I don't know how long.

Mr. JEFFERIS. Did you go into the question of the life of these machines for making bread cans?

Mr. VAN HORNE. That question did not enter into it very much; it was the availability of these machines for making other cans.

Mr. JEFFERIS. Did you try to sell them to anybody?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Did you try to sell them to any independent can companies?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Who?

Mr. VAN HORNE. What do you mean; the men that did not have hard-bread can contracts?

Mr. JEFFERIS. Yes, sir.

Mr. VAN HORNE. They were offered to McGovern, in New York City, and Tiffany, Hall & Co.

Mr. JEFFERIS. Where is that?

Mr. VAN HORNE. New York City. Swartz & Williams, New York City; J. Gell & Co., New York City; A. Lamberg & Co., New York City; Modern Machinery Co., New York; American Machinery Co., New York; Shalita Bros., New York; A. Rothschild, Brooklyn. This testimony is taken from the statement of Lieut. Daneman, attached to the papers. The investigation was conducted by him under my supervision.

Mr. JEFFERIS. You did not do that yourself, personally?

Mr. VAN HORNE. Not all of it.

Mr. JEFFERIS. Did you do any of it?

Mr. VAN HORNE. Shalita Bros., and A. Rothschild, I believe, were the only ones I talked to personally.

Mr. JEFFERIS. As a matter of fact, you and Lieut. Daneman did not undertake to find a market for any of these special facilities or machinery outside of New York?

Mr. VAN HORNE. No, sir. But I might state the General Can Co. of Chicago—

Mr. JEFFERIS (interposing). Well, now, you largely, I take it, Mr. Van Horne, isn't it true, depended on what the American Can Co. represented to you about the salvage value of this machinery and equipment?

Mr. VAN HORNE. No, sir; not unless I could verify it from some other source.

Mr. JEFFERIS. Well, as to whether or not they had any use for it then, you took their representation, didn't you?

Mr. VAN HORNE. That was absolutely necessary, to take their representations on that. I do not know how anyone would ever determine whether or how they could use it. As a matter of fact, their factories were then running about 50 per cent.

Mr. JEFFERIS. When was this you settled with them?

Mr. VAN HORNE. February, 1919.

Mr. JEFFERIS. How do you know they were not running over 50 per cent in any of their factories?

Mr. VAN HORNE. I would not say any of them; I say the average.

Mr. JEFFERIS. How did you learn that?

Mr. VAN HORNE. Through their statements.

Mr. JEFFERIS. That was one of their representations to you?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Well, how long now, Mr. Van Horne, do you think any of this new machinery had actually been installed and used in the Long Island factory?

Mr. VAN HORNE. In the Long Island factory?

Mr. JEFFERIS. Yes.

Mr. VAN HORNE. I don't remember over three or four months.

Mr. JEFFERIS. Do you know how long it had been installed and used in the Ilsley factory?

Mr. VAN HORNE. From the date of the contract.

Mr. JEFFERIS. Do you know about what that was?

Mr. VAN HORNE. If I had a copy of the contract I could tell. June 22, 1918, until, I believe, about two weeks after the signing of the armistice.

Mr. JEFFERIS. Do you think they got installed right away when they got the contract?

Mr. VAN HORNE. That factory was already manufacturing hard-bread cans on its previous contract.

Mr. JEFFERIS. Well, had they gotten then, as a matter of fact, these special facilities and machinery for completing other contracts previous to this one in February?

Mr. VAN HORNE. They had a previous contract, making another type of can, and they were requested to change over to this new type of can, and as near as I can recollect that was approximately the date of this contract that they started to operate this machinery. Of course, they were not allowed in this settlement for any machinery installed for previous contracts.

Mr. JEFFERIS. Well, were they allowed for the machinery on the other bread cans in the previous contracts?

Mr. VAN HORNE. No, sir; they were allowed nothing on those.

Mr. JEFFERIS. They were allowed nothing on those?

Mr. VAN HORNE. No, sir; that is the reason that contract is so much lower than their others, because they had a previous large contract.

Mr. JEFFERIS. One of those contracts, as I remember, was only entered into November 4, I believe; that was for 70,000,000 cans. Did they get machinery for that?

Mr. VAN HORNE. That must have been a Chicago contract. The 60,000,000, the one under consideration in New York, was September 2. There were 10,000,000 cans in New York which were negotiated not a great while before the signing of the armistice. They were awarded August 27. The 15,000,000 in Chicago were comparatively recent date, though.

Mr. JEFFERIS. Did they put in for new machinery for that, too?

Mr. VAN HORNE. Comparatively a small amount.

Mr. JEFFERIS. I do not suppose you had ever had any experience in buying or installing can machinery?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Or in selling it?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Well, as a matter of fact, at the time prior to that time these can factories that had been equipped with real up-to-date machinery and real up-to-date factories, were they not?

Mr. VAN HORNE. The Long Island factory was leased for this contract after the 60,000,000 contract was given them and equipped especially for this contract.

Mr. JEFFERIS. And so they were well equipped?

Mr. VAN HORNE. To manufacture hard-bread cans?

Mr. JEFFERIS. Yes, sir.

Mr. VAN HORNE. Not at the time the contracts were placed with them.

Mr. JEFFERIS. At the time they got through and charged it up to the Government?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. These machines would make any sized bread cans?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Who told you they wouldn't?

Mr. VAN HORNE. Various manufacturers.

Mr. JEFFERIS. Who, for instance?

Mr. VAN HORNE. Shoits Bros., the General Can Co., Chicago; the American Metal Ware Co., Buffalo; and the others I spoke of. Shall I read it again?

Mr. JEFFERIS. Yes; you can look at anything. Isn't it a fact that they will make any can up to 6 or 8 inches?

Mr. VAN HORNE. They can be adjusted to make any small cans.

Mr. JEFFERIS. Up to 6 or 8 inches, similar to these?

Mr. VAN HORNE. But that is a very unusual can, though.

Mr. JEFFERIS. I know; but you can adjust it anywhere along the line up to 6 inches?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. What?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Who said that?

Mr. VAN HORNE. I believe it to be a fact; I consulted various manufacturers, particularly E. W. Bliss, in Brooklyn.

Mr. JEFFERIS. Do you say the Bliss machine can not be adjusted to manufacture a different sized square can?

Mr. VAN HORNE. I did not say it could not be adjusted, but to a certain size.

Mr. JEFFERIS. Well, up to 8 inches it can be?

Mr. VAN HORNE. No, sir; I don't think it can.

Mr. JEFFERIS. Well, up to what?

Mr. VAN HORNE. I am not positive; but I think around 4 or 5 inches.

Mr. JEFFERIS. Did the American Can Co. make any representations to you as to the cost of the Bliss machine?

Mr. VAN HORNE. Why, yes; I saw the original invoice of that, sir.

Mr. JEFFERIS. Do you know what the cost of those original machines were?

Mr. VAN HORNE. I can ascertain from the records. Incidentally, I might state that these E. W. Bliss machines—one was delivered to the American Can Co. and one to the Green & Green Co. at Dayton, Ohio.

Mr. JEFFERIS. One in process of manufacture and one delivered?

Mr. VAN HORNE. By E. W. Bliss Co. They would have to turn that over to the Green & Green Co. and to the American Can Co.

Mr. JEFFERIS. Did the Green & Green Co. have a contract?

Mr. VAN HORNE. Yes, sir. One No. 13 Bliss body maker, complete, with blank feed, side beam, soldering attachment, and fitted with horn and wings and solder horse, purchased from E. W. Bliss Co., \$4,452.

Mr. JEFFERIS. Do you know anything now about the life of a machine like that?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. The American Can Co. didn't make any representations, did they, that they were going to quit manufacturing cans after they settled with you?

Mr. VAN HORNE. Do you mean all types of cans?

Mr. JEFFERIS. Yes, sir.

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Did you take up with the Bliss Co. anything to see whether or not they charged such sums as that for a machine at that time?

Mr. VAN HORNE. At the time they sold the machine I knew the price; yes, sir.

Mr. JEFFERIS. Who told you?

Mr. VAN HORNE. E. W. Bliss Co. I was in their factory numerous times and urging them to get them out hurriedly.

Mr. JEFFERIS. Then, if somebody else was buying them for less than that they had been making different prices?

Mr. VAN HORNE. They must have been; yes, sir.

Mr. JEFFERIS. According to the evidence we have here from independent can companies such a machine would make anything up to 6 or 8 inches. Now, was there anybody on any of these boards or connected with the settlement of these claims who was above you,

Mr. Van Horne, who had any knowledge relative to the manufacture of tin cans and machinery, or not?

Mr. VAN HORNE. This adjustment was approved by the New York Zone Board of Appraisers, appointed by the zone supply officer in New York.

Mr. JEFFERIS. Did they have any man on that board that was actually—that knew anything from actual experience about making cans, or not?

Mr. VAN HORNE. I don't know.

Mr. JEFFERIS. You don't know; did they change your figures in any way?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. Were the figures as approved by you in these four claims of the American Can Co. changed in any manner after they left your hands?

Mr. VAN HORNE. After they left my hands they were approved all the way through by the New York Zone Board of Appraisers, and the board of review in both New York and Washington, without changes.

Mr. JEFFERIS. Did any of them in any way, either the appraisers in New York, or the claims board in Washington, question as to the amount that you had allowed for depreciation of tin plate or for these facilities and machinery?

Mr. VAN HORNE. I remember before the New York Board of Adjustments, I appeared before that board, and we had quite a discussion about the matter. I read various letters showing where I had endeavored to secure offers on this tin plate and machinery. All had a copy of the complete file of the papers and there was quite a discussion but never any real question as to whether the claim was a fair one or not.

Mr. JEFFERIS. Was there any suggestion made by any of them to go outside of New York and hunt a market for any of this stuff, or anything of that kind?

Mr. VAN HORNE. To the best of my recollection there was not. I presented the claim, and that was the last I heard of it.

Mr. JEFFERIS. Did you discover anything, Mr. Van Horne, in your efforts in New York to find a market for this tin plate or these special facilities and equipment, that led you to think that they were bearing down on these prices?

Mr. VAN HORNE. I don't know what you mean by "bearing down."

Mr. JEFFERIS. By these dealers that they were trying to keep the salvage value down?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. For instance, we found in the silk business where they only offer the Government from about 4 to 26 cents per yard; they were all trying to get it for nothing, and through efforts of Mr. O'Neill, who had charge of that, the same was conserved to the Government and they are going to get 72 cents or 80 cents a yard now.

Mr. VAN HORNE. I don't believe there was any collusion amongst the various dealers or manufacturers of jobbers. I feel positive of that in my mind.

Mr. JEFFERIS. You felt positive of that in your mind at the time?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Had you lived in New York before you entered the service or not?

Mr. VAN HORNE. Approximately 8 years or more.

Mr. JEFFERIS. And where was your place of business there in the city?

Mr. VAN HORNE. No. 85 John Street.

Mr. JEFFERIS. And you were representing what company?

Mr. VAN HORNE. John S. Sorrell Co., jobbers.

Mr. JEFFERIS. Manufacturers of paper or jobbers?

Mr. VAN HORNE. Jobbers of paper.

Mr. JEFFERIS. Jobbers of paper?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. I think that is all.

(And thereupon, at 1.10 o'clock p. m., the committee adjourned until 2 o'clock p. m.)

AFTER RECESS.

(Pursuant to adjournment for recess, the committee convened at 2.15 o'clock p. m.)

**TESTIMONY OF HORACE C. HYATT, SECRETARY AND DIRECTOR,
DOMESTIC COKE CO., CLEVELAND, OHIO.**

(My Hyatt was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Hyatt, what connection, if any, do you have with the Domestic Coke Co., in Cleveland, Ohio?

Mr. HYATT. I am secretary and director and stockholder of the company.

Mr. GRAHAM. Do you have a list of the directors and stockholders of the company with you?

Mr. HYATT. No; but I can tell who they are.

Mr. GRAHAM. Who are the officers of the company at the present time?

Mr. HYATT. Frank H. Ginn is director and president; C. V. Critchfield is vice president and treasurer and a director; myself secretary and director.

Mr. GRAHAM. Now, what amount of stock do you have, Mr. Hyatt?

Mr. HYATT. The capitalization of the company is \$2,000,000. The three people I have named—myself, Mr. Ginn, and Mr. Critchfield—are the three stockholders of the company.

Mr. GRAHAM. Hold all the stock of the company?

Mr. HYATT. Yes, sir.

Mr. GRAHAM. Did you have some contracts with the Government for the building of by-product coke ovens at Cleveland and Fairmont?

Mr. HYATT. We had one in Cleveland. We have one at Fairmont. The Cleveland contracts have been closed and settled. The Fairmont contract is progressing; construction is going on, and we are about 70 per cent completed.

Mr. GRAHAM. Was the company of which you are a stockholder and an officer the successor of the Fairmont By-Products Coke Co.?

Mr. HYATT. No, sir.

Mr. GRAHAM. Did you take over any contract that they had?

Mr. HYATT. I believe we took over the contract with the Copperas Co. for the construction—for the engineering and construction of the Fairmont plant. We also, as I remember it, took over the contracts—whether they were in formal shape or not, I do not know—for the purchase of real estate there at Fairmont.

Mr. GRAHAM. From whom did you take that contract over?

Mr. HYATT. From the Fairmont By-Products Co.

Mr. GRAHAM. Does the Fairmont By-Products Co. have any connection at all with the work that your company is doing?

Mr. HYATT. None whatever; none whatever.

Mr. GRAHAM. Does Col. C. W. Watson have any connection with your company in any way?

Mr. HYATT. None whatever.

Mr. GRAHAM. Is your stock all registered—that is to say that one can tell from your books who the stockholders are, or is it assignable by transfer by certificate?

Mr. HYATT. No stock certificates have been issued. Subscriptions have been made for the entire amount of authorized capital stock, and a part of the money has been paid in on the stock. No certificates have been issued because we did not know how much money we would require, and we did not propose to issue any of the stock until we got around to the point where we could work our financing as a unit.

Mr. GRAHAM. At the time you went into this business were you engaged in the by-product coke-oven business?

Mr. HYATT. No.

Mr. GRAHAM. Does your company have any relation to the Monongahela Valley Traction Co. in any way?

Mr. HYATT. None whatever.

Mr. GRAHAM. Are you personally a stockholder in the Fairmont By-products Co.?

Mr. HYATT. No, sir.

Mr. GRAHAM. Or the Consolidation Coal Co.?

Mr. HYATT. No, sir.

Mr. GRAHAM. Do you have any working agreement between your company and the Consolidation Coal Co.?

Mr. HYATT. No, sir.

Mr. GRAHAM. Do you know, Mr. Hyatt, whether there is any relationship of any kind, either open or under cover, between the Domestic Coke Corporation of the companies that are held or controlled by Col. C. W. Watson?

Mr. HYATT. None of which I know; and I think I should know it if there were a connection.

Mr. GRAHAM. When did you first entertain the thought of going into this building of these by-products coke ovens?

Mr. HYATT. Early in 1917.

Mr. GRAHAM. Were you in any steel-producing business or anything that required coke?

Mr. HYATT. No. The enterprise was given birth in the thought that is expressed in its name—Domestic Coke Corporation—a domestic coke; in other words, to manufacture coke.

Mr. GRAHAM. Well, are the gentlemen associated with you men who have heretofore been in the coal or coke business?

Mr. HYATT. Mr. Ginn has been in the coal business—is president of the Ohio & Pennsylvania Coal Co. Mr. Critchfield is a man who has had some rather broad experience along utility lines—public-utility lines, particularly. He was an expert for the Ohio Public Utilities Commission at one time.

Mr. GRAHAM. Did you do your banking business in Cleveland, Mr. Hyatt?

Mr. HYATT. In Cleveland very largely; yes, sir.

Mr. GRAHAM. Do you have any New York correspondent bank?

Mr. HYATT. No.

Mr. GRAHAM. How is your institution financed—by bonds?

Mr. HYATT. Financed by money paid in and the stock. We take it as we need it. I might say at this point—you have asked me about ownership of the stock, and I have said that the three of us are the stockholders. As you know, I presume, from the files in this case, the Standard Oil Co. of New Jersey guarantees the performance of our contracts. That arose out of the circumstance that in the early days of the enterprise we interested some people connected with the Standard Oil Co. They did not know to what extent they wanted to go into the thing. They did not know to what extent the project would be a successful one. They did not know whether the time was ripe for this domestic coke project. It was agreed that the Standard Oil Co. of New Jersey would finance the thing as we went along until we got along to where we could spread it out among the individuals who were to be permanently interested in it. Col. Watson had no connection whatever with it.

Mr. GRAHAM. You did not finance this thing individually from your own private resources?

Mr. HYATT. The Standard Oil Co. advances money to us as we go along and the United States reimburses us—that is, it is a pure cost-plus job.

Mr. GRAHAM. Have you filed the claim yet for adjustment under the contract?

Mr. HYATT. At Fairmont?

Mr. GRAHAM. Yes.

Mr. HYATT. No; the Fairmont job is going on. It has not been canceled; it has not been suspended. It will go on to completion, and then will come the settlement under the terms of the contracts, which is a purchase by us within a certain period, which varies according to circumstances. The guaranty by the Standard Oil Co. and the advance of money which it makes is a temporary measure until we get along to the point where we know what we are going to do. The whole situation is unsettled. We have stopped construction at Cleveland and are not going ahead with it, and it is all finished and settled.

Mr. GRAHAM. You did adjust that contract, did you?

Mr. HYATT. That was adjusted and settled.

Mr. GRAHAM. Do you know how much was paid you in settlement of that contract, approximately how much?

Mr. HYATT. I think a total of—well, perhaps not a settlement, but a total of about \$80,000 is what we received as against the cost to us of substantially \$91,000.

Mr. GRAHAM. What was done with the property there?

Mr. HYATT. Such property as there was we took over. We had a property there that cost us, as I remember it, \$230,000 that we leased to the Government on a basis of \$100 a year, which we never received, of course. It is a nominal figure—leased to the Government for the construction and operation of this plant. We have our investment in that land. We have an investment in the material which we took over from the salvage board, or the salvage department—I have forgotten which they call it—as a part of our settlement in the enterprise. It is standing still and probably will stand still for some time until we get along to the point where we know where we stand in the matter.

Mr. GRAHAM. Do you know how much these coke ovens will cost per oven after you are completed at Fairmont?

Mr. HYATT. I believe it was estimated that they would cost substantially \$60,000 per oven.

Mr. GRAHAM. Per oven?

Mr. HYATT. Exclusive of land.

Mr. GRAHAM. How large are these ovens—can you describe one of them so that the committee can get some sort of an idea what they are?

Mr. HYATT. No; I can not, I am not enough of a coke expert or a by-product man to do so.

Mr. GRAHAM. How many are you building there?

Mr. HYATT. Sixty at Fairmont. We were proposing 60 at Cleveland.

Mr. GRAHAM. As I understand it, Fairmont is in the center of the high volatile coal district of West Virginia?

Mr. HYATT. Yes; it is pretty well in the center of what is called the Connellsville district, I guess.

Mr. GRAHAM. Do you know where the Consolidation Coal Co. operates largely, what part of the country?

Mr. HYATT. No; I do not. The only thing I know about the Consolidation Coal Co. is I have seen their sign coming into Washington, seen their sign on a coal yard.

Mr. GRAHAM. What is your business, Mr. Hyatt, aside from your connection with this company?

Mr. HYATT. Well, I am practicing law somewhat and assistant secretary of the Public Motor Truck Co., secretary of the Tortensen Axle Co. and several others. I sometimes doubt whether I am a lawyer.

Mr. GRAHAM. You what?

Mr. HYATT. I sometimes doubt whether I am a lawyer.

Mr. JEFFERIS. When was this Domestic Coke Corporation organized?

Mr. HYATT. It was organized about the middle of 1917, I believe, in the middle of May. I am not quite certain as to the date.

Mr. JEFFERIS. You three gentlemen organized it, Critchfield, Ginn, and yourself?

Mr. HYATT. Yes. Critchfield, I think, came in a month or so afterwards, but substantially at the time of organization.

Mr. JEFFERIS. In what State is it incorporated?

Mr. HYATT. Delaware, licensed in Ohio and West Virginia.

Mr. JEFFERIS. And never has had any stockholders except you three?

Mr. HYATT. That is correct.

Mr. JEFFERIS. Was it the intention, when it was organized, to go into the construction of coke ovens?

Mr. HYATT. Construction and operation of coke ovens, the making of domestic coke and the procuring of the by-products.

Mr. JEFFERIS. Did you do anything toward carrying out the purposes of the corporation prior to this contract with the Government?

Mr. HYATT. No. The project was discussed and shaped pretty well, but we had not done any of this business prior to that time—no construction, no operation.

Mr. JEFFERIS. Had you purchased any land?

Mr. HYATT. No.

Mr. JEFFERIS. Where did you say Mr. Ginn lived?

Mr. HYATT. Cleveland.

Mr. JEFFERIS. And where does Mr. Critchfield live?

Mr. HYATT. Cleveland.

Mr. JEFFERIS. Where do you live?

Mr. HYATT. Cleveland.

Mr. JEFFERIS. About what time did your company, the Domestic Coke Co., is it?

Mr. HYATT. Coke Corporation.

Mr. JEFFERIS. Coke Corporation—about what time did it begin negotiating with the Government for this contract to build these ovens?

Mr. HYATT. In the summer of 1917, I believe it was. I can not fix it any more definitely than that.

Mr. JEFFERIS. When was the contract finally entered into?

Mr. HYATT. The Cleveland contract was dated July 10 and the Fairmont contract September something.

Mr. JEFFERIS. Of 1917 or 1918?

Mr. HYATT. Of 1917, I think.

Mr. JEFFERIS. Or 1918, which?

Mr. HYATT. I rather think it was 1917. I am not certain of that, but the Government files here should show it.

Mr. JEFFERIS. Who represented the Government or who signed the contract on the part of the Government with your company?

Mr. HYATT. It seems to me Col. Lamont signed that. I do not know who signed that. Capt. Alexander I believe negotiated the Fairmont contract. I am not certain of that.

Mr. JEFFERIS. And you had a Cleveland contract?

Mr. HYATT. In July.

Mr. JEFFERIS. If you have the file I would like to know that date, whether it was in 1917 or 1918.

Mr. HYATT. I rather think it was 1917.

Mr. JEFFERIS. Well, here is one, Domestic Coke Corporation contract for the construction and operation of a plant in Cleveland dated July 10, 1918.

Mr. HYATT. Nineteen hundred and eighteen is the date, then.

Mr. JEFFERIS. Did you have anything to do with the making of that contract?

Mr. HYATT. Yes, sir.

Mr. JEFFERIS. I notice your signature is to it.

Mr. HYATT. Yes.

Mr. JEFFERIS. And that Col. Watson represented Col. McRoberts—in other words Col. Watson signed it for the Government.

Mr. HYATT. I do not recollect that. I was not there when the Government signed it as I remember it. I signed it and left the contracts there for signature on the part of the Government.

Mr. JEFFERIS. When was the other contract entered into?

Mr. HYATT. That would be in September of 1918, the September following the Cleveland contract.

Mr. JEFFERIS. Do you know who represented the Government or signed that contract for your company?

Mr. HYATT. If Col. Lamont was not on that one I rather think he was on the September contract. Perhaps I am wrong as to both, but I did not pay much attention to who signed for the Government.

Mr. JEFFERIS. Do you think the Fairmont contract was entered into after the Cleveland contract?

Mr. HYATT. Yes; I know it was. It might be in a separate file.

Mr. JEFFERIS. I expect it it; I expect that is all Cleveland in that file. Under these contracts, we will say each of them, you were to erect so many ovens?

Mr. HYATT. Sixty ovens; that is it.

Mr. JEFFERIS. And your company contracted with the Copperas Co.—

Mr. HYATT. The Copperas Co., at Fairmont, and some with the Senet-Solvay, at Cleveland.

Mr. JEFFERIS. I understood you to say to the chairman that you took over the Copperas Co. with the Fairmont Co. What was there about that?

Mr. HYATT. The Fairmont people had already negotiated with the Copperas people for the construction of a battery of 120 or 110 ovens and we took over part, as I remember it, part of the commitments there were on that job. Copperas had already been engaged by them to build their battery.

Mr. JEFFERIS. What was this Fairmont Co.'s name?

Mr. HYATT. I believe it was the Fairmont By-Products Co., although I am not certain of that.

Mr. JEFFERIS. Your company did not take that company over but it took over a contract that it had with the Copperas Co. Is that it?

Mr. HYATT. I do not know whether there was ever a formal assignment of the contract, because if there was a contract it would be for more ovens than we contracted for. What it amounted to probably was that there were negotiations, you know, with Copperas, for the building of some ovens there and we went on and dealt with Copperas.

Mr. JEFFERIS. And that was through an understanding that you had with the Fairmont Co.?

Mr. HYATT. No; I know of no such understanding.

Mr. JEFFERIS. How do you say you took it over then; what do you mean by the contract?

Mr. HYATT. They had acquired some land; they had made some commitments, I assume, for some material; they had dealt with

Copperas for the construction of some ovens. We had already contracted with Senet-Solvay for the building of similar ovens at Cleveland. There is a question as to whether Sent-Solvay or Copperas are better. I presume we decided we wanted Copperas on this job as went along.

Mr. JEFFERIS. Did you buy the land from the Fairmont By-Products Co.?

Mr. HYATT. In one sense, yes; in another sense, no. We paid directly for the land to the people who were formerly going to sell to the Fairmont Co.

Mr. JEFFERIS. The Fairmont By-Products Co. had options for land, had it, or contracts for land?

Mr. HYATT. It was either options or contracts; I do not know which it was. I remember looking over the bids and seeing that the purchase price was paid, and we paid it directly to the land-owners.

Mr. JEFFERIS. Then the Domestic Coke Corporation took this land off the hands, you might say, of the Fairmont By-Products Co.?

Mr. HYATT. Yes, sir.

Mr. JEFFERIS. And then your understanding of it was that the Fairmont Co. had a contract with the Copperas Co. for the erection of so many coke ovens.

Mr. HYATT. That is my understanding. I do not know whether it was a formal contract or whether they had merely negotiated. In any event, they had had some dealings with Copperas for the construction of the ovens—quite a battery of ovens—I think it was 110 or 120. We went on with Copperas for 60 ovens, and we are at present going on with them for 60.

Mr. JEFFERIS. Had the Fairmont By-Products Co. an arrangement with the Government for the advancement to pay the cost of building these ovens if they had erected them?

Mr. HYATT. I am sure I do not know.

Mr. JEFFERIS. You do not know anything about that?

Mr. HYATT. No.

Mr. JEFFERIS. Who handled that transaction for your company with the Fairmont By-Products Co.?

Mr. HYATT. I think that Mr. Critchfield did. I never dealt with them at all.

Mr. JEFFERIS. Was he here in Washington?

Mr. HYATT. He was here from time to time.

Mr. JEFFERIS. Was he at the War Department in any respect?

Mr. HYATT. Oh, no.

Mr. JEFFERIS. Or Mr. Ginn?

Mr. HYATT. No.

Mr. JEFFERIS. Or you?

Mr. HYATT. No.

Mr. JEFFERIS. After your company negotiated and you made this contract with the Government, just tell us a little how the Government was to pay the money?

Mr. HYATT. Pay the money?

Mr. JEFFERIS. Yes.

Mr. HYATT. We made expenditures from time to time for land and whatever was necessary, stating it monthly to the Government, and the Government repaid us.

Mr. JEFFERIS. Then you, in the first instance, would pay Copperas, we will say, for constructing the ovens, would you?

Mr. HYATT. We paid their bills for material and labor.

Mr. JEFFERIS. Then you made a showing of that to the Government. Is that it?

Mr. HYATT. We presented statements of the expenditures to the Government.

Mr. JEFFERIS. And then they reimburse you, the Government reimburses you?

Mr. HYATT. Yes, sir; supposed to be every month—that is, on monthly statements and monthly payments.

Mr. JEFFERIS. And about then you got the Standard Oil Co. to guarantee your contract with the Government, was it?

Mr. HYATT. Yes. At the time the contract was made the Government questioned our ability to perform the contract.

Mr. JEFFERIS. Questioned it?

Mr. HYATT. The representatives of the Ordnance Department—

Mr. JEFFERIS. Do you know who particularly?

Mr. HYATT. No; but it was the natural question.

Mr. JEFFERIS. A natural question?

Mr. HYATT. They wanted some assurance that the ovens would be built and built in accordance with the terms of the contract—some assurance of our financial ability to go ahead and construct them.

Mr. JEFFERIS. Was that because they did not know you three gentlemen?

Mr. HYATT. Yes.

Mr. JEFFERIS. That were running this Domestic Coke Corporation?

Mr. HYATT. Yes, sir.

Mr. JEFFERIS. So your company then took it up with the Standard Oil Co.?

Mr. HYATT. No; with some individuals who were interested in the Standard Oil Co.

Mr. JEFFERIS. How is that?

Mr. HYATT. With some of the Standard Oil people, some individuals.

Mr. JEFFERIS. Did you yourself personally?

Mr. HYATT. I did some of it, and other people did some of it.

Mr. JEFFERIS. Is it not, as a matter of fact, Mr. Hyatt, a fact that the Standard Oil Co. is pretty well interested in your company outside of the guarantee?

Mr. HYATT. As I said to the chairman in detail, the arrangement was that pending a definite financing of our company the Standard Oil Co. of New Jersey would proceed with it.

Mr. JEFFERIS. Would what?

Mr. HYATT. Would proceed with it; would stand behind it until we got along to the point where we were on our feet, and the individuals who were coming in with us, if they were still of the same mind, could go ahead.

Mr. JEFFERIS. Now, when you get it completed the Government will have paid for this construction of the plant, will it not?

Mr. HYATT. Yes.

Mr. JEFFERIS. So the Domestic Coke Corporation really will not have any money in it, will it?

Mr. HYATT. I rather think they will.

Mr. JEFFERIS. Well, if the Government pays for it all, how will the coke company have any money in it?

Mr. HYATT. Our experience has been that our expenditures as we go along are not fully met.

Mr. JEFFERIS. Do you mean that the Government did not pay all that it owed?

Mr. HYATT. They probably paid all that they should, but not all that we spent.

Mr. JEFFERIS. Not all that you spent?

Mr. HYATT. Perhaps they are more efficient than we are.

Mr. JEFFERIS. When the plant is finally built you think the Domestic Coke Corporation will have some money in it that the Government has not paid, do you?

Mr. HYATT. Not in the plant, because the plant belongs to the Government. We will have spent some money for which we will not have been reimbursed, I presume. That is conjecture. I do not know.

Mr. JEFFERIS. How nearly is it completed?

Mr. HYATT. About 70 per cent, I should say. All the slow work is done.

Mr. JEFFERIS. How much has the Government expended on it now, do you know?

Mr. HYATT. I do not know to what extent we have been reimbursed, but we have received in the neighborhood of \$2,500,000.

Mr. JEFFERIS. Has the Standard Oil Co. had to finance your company?

Mr. HYATT. They have had to advance money from time to time to cover our payments and our payments we have to make before the Government pays us.

Mr. JEFFERIS. And then the money that the Government pays to you, you turn back to the Standard Oil Co., I take it, on what you have already had from them?

Mr. HYATT. Either that or into our own accounts.

Mr. JEFFERIS. After it is finally completed, the ovens are completed, the contract, I suppose, provides for an appraised value, does it?

Mr. HYATT. It calls, in the first place, for operation and at the end of a specified time for an appraisal and for purchase by us at the appraised value.

Mr. JEFFERIS. Does the Standard Oil Co. guarantee that you will take it at the appraised value?

Mr. HYATT. It guarantees the performance of that contract, which provides that we will take it, so it does amount to a guaranty by them that we will take it at that appraised value.

Mr. JEFFERIS. So when it is finally carried out to completion, then will be the real time of financing the corporation, will it not?

Mr. HYATT. Yes.

Mr. JEFFERIS. In other words, to take it off the Government's hands at this proposed valuation is when the money will have to be forthcoming from stockholders, or somebody else, to pay for it at the appraised value?

Mr. HYATT. Yes, sir.

Mr. JEFFERIS. About how soon is that liable to happen, Mr. Hyatt?

Mr. HYATT. I should say in the early part of the year.

Mr. JEFFERIS. That is, you think it will be completed and in operation at that time?

Mr. HYATT. That is what we expect. You asked me the time of completion, not the time of purchase.

Mr. JEFFERIS. When would the time of purchase be in comparison with the time of completion?

Mr. HYATT. If I remember it, the earliest time of purchase is one year after the peace proclamation.

Mr. JEFFERIS. Your recollection is that Mr. Critchfield negotiated this contract for the Domestic Coke Corporation with the Government?

Mr. HYATT. Which contract do you mean?

Mr. JEFFERIS. The one for Fairmont.

Mr. HYATT. Yes; Mr. Critchfield worked on it considerably. I worked on it some, and the other men were down here from time to time.

Mr. JEFFERIS. With whom did you negotiate who represented the Government?

Mr. HYATT. I believe it was Capt. Alexander with whom we negotiated the final contract.

Mr. JEFFERIS. Do you know where he lives?

Mr. HYATT. No; I do not.

Mr. JEFFERIS. Who negotiated the Cleveland contract?

Mr. HYATT. I was down some on the Cleveland contract. I do not think Mr. Critchfield was down on that. That is about as close as I can come to it, of course.

Mr. JEFFERIS. Was Mr. Ginn down any?

Mr. HYATT. I do not believe Mr. Ginn came down at all in the negotiations.

Mr. GARRETT. I believe you stated that the estimated cost for the ovens was about \$60,000 apiece?

Mr. HYATT. Yes. It does not amount to that in our contract, as I remember it. It was an estimated cost, exclusive of land, of \$3,000,000 for 60 ovens at Fairmont. That would amount to something less than \$60,000 apiece.

Mr. GARRETT. That would be about \$50,000.

Mr. HYATT. Yes.

Mr. GARRETT. Exactly \$50,000. What is the provision of the contract in regard to cost per oven? You did not have a fixed price agreed upon in advance that each oven is to cost so much?

Mr. HYATT. No. As I remember the provision of the contract, it was put in the form, that the contractor estimates that the cost of construction will be \$3,000,000 in the whole matter.

Mr. GARRETT. But you are to pay whatever it may be?

Mr. HYATT. Yes.

Mr. GARRETT. Then, does the Copperas Co. receive a fee in addition to the actual cost?

Mr. HYATT. The Copperas Co. receives 7 per cent of the actual cost.

Mr. GARRETT. That is the total compensation of that company?

Mr. HYATT. That is right.

Mr. GARRETT. I believe you stated you had no expert knowledge of coke-oven construction?

Mr. HYATT. No.

Mr. GARRETT. In a general way, have you given some study to it?

Mr. HYATT. Some. I have given some study to it; I know some thing about it, but not very much.

Mr. GARRETT. It has been testified before this committee that ovens were constructed in Germany prior to the war for as low as \$5,000 per oven. Do you know anything about that?

Mr. HYATT. No; I am not familiar enough with the construction work or the costs of construction to say whether that is possible.

Mr. GARRETT. Have you had occasion to notice in any of these contracts that have been settled, for instance, the Jones-Lofflin contract—

Mr. HYATT. No.

Mr. GARRETT. What is that Rainywood—

Mr. GRAHAM. Rainywood Coke Corporation.

Mr. GARRETT. It seems to me there was a statement in some of the claims made, I do not know whether it was to the Pittsburgh board or the Washington board, made some kind of an estimate of \$12,200 per oven. Of course, your attention has not been directed to any of these cases, and you naturally would know nothing of that. We have got the widest range of testimony here concerning the cost per oven.

Mr. HYATT. The only line I can give you on it, Mr. Garrett, is the fact that with 70 per cent completion at the Fairmont plant we have spent in the neighborhood of \$2,500,000, and we estimated \$3,000,000. Now, I can not conceive of a cost of anything like \$5,000 or \$12,000 an oven in this circumstance. That is my only sidelight on it. I have not any direct light on it. I desire to say to the committee, however, that I know that certainly we would not be promoting a construction at that rate because we will have to take over the ovens at a price which, to some extent, must be based on that cost.

Mr. GARRETT. What is the principal cost, labor?

Mr. HYATT. Directly and indirectly, labor, I suppose, will be a very large item.

Mr. GARRETT. What character of material goes into the construction of one of those coke ovens; do you know?

Mr. HYATT. I can not say. I presume it would be steel.

Mr. GARRETT. How large are the ovens?

Mr. HYATT. As I said before, I can not tell. I have seen them, but I have not measured them. I would not care to even estimate it. I wish I could help you with it.

Mr. JEFFERIS. As I understand it, under this arrangement, the Domestic Coke Corporation makes a contract with the Copperas Co. to build these ovens?

Mr. HYATT. That is to do the engineering service and supervision of it.

Mr. JEFFERIS. And the Copperas Co. is to have 7 per cent of the cost. Is that correct?

Mr. HYATT. That is correct.

Mr. JEFFERIS. And then the Government pays to your company the cost of construction, plus this 7 per cent?

Mr. HYATT. Yes; repays to us—

Mr. JEFFERIS. Repays to you?

Mr. HYATT. We, of course, get no profit. We are supposed to get a dollar, I think.

Mr. JEFFERIS. And then, when the time comes for you to purchase the plant that the Government has advanced the money to build, that is to be done pursuant to the appraisement, is it?

Mr. HYATT. That is correct.

Mr. JEFFERIS. To an appraisement of three appraisers?

Mr. HYATT. Yes. I am quite sure; I am certain it is three appraisers.

Mr. JEFFERIS. And you are to take it from the Government at the appraised value; is that it?

Mr. HYATT. That is correct.

Mr. JEFFERIS. Regardless of how much the Government has paid into it or any interests or anything of that kind?

Mr. HYATT. Yes, sir.

Mr. GRAHAM. Mr. Hyatt, if you will excuse a few personal inquiries, but I want to know something how you happened to go into this proposition and, in order to do so, I will have to ask some questions. I may inquire rather closely into your personal welfare. Were you financially able to go into a proposition of this kind?

Mr. HYATT. No.

Mr. GRAHAM. You are not a man of wealth, I imagine.

Mr. HYATT. No.

Mr. GRAHAM. Were these other gentlemen who were associated with you men of wealth?

Mr. HYATT. Mr. Ginn is.

Mr. GRAHAM. Do you know about how he is rated financially?

Mr. HYATT. It would be a pretty hard thing to put a rating on him. I could not say, of course, what he is worth.

Mr. GRAHAM. Well, were you practicing law when this thing was first taken up or were you devoting most of your attention to these other companies with which you were associated?

Mr. HYATT. I should say about half and half. It would be pretty hard to draw the line between the practice and the other work.

Mr. GRAHAM. What put it into your head to organize this company? Who was the moving factor in it—one of your associates or was it your plan?

Mr. HYATT. Not my plan. I think probably the idea was given by Mr. Galagher.

Mr. GRAHAM. Mr. Galagher?

Mr. HYATT. Yes. He has always been a student of chemistry and has had great faith in the future of this domestic-coke proposition. It is his particular idea, I think.

Mr. GRAHAM. Where does he live?

Mr. HYATT. He lives in Cleveland.

Mr. GRAHAM. None of you, as I understand it, have ever had any experience in this line of work—neither of your assistants nor yourself.

Mr. HYATT. No direct experience in this work; that is correct.

Mr. GRAHAM. But your associates were in the coal business, were they?

Mr. HYATT. And in the by-product business.

Mr. GRAHAM. Did they have these by-product coke ovens?

Mr. HYATT. No.

Mr. GRAHAM. Are you a full associate in this; that is, do you own equal stock with the other gentlemen?

Mr. HYATT. No; our holdings are not the same. I can not give the figures on what they are.

Mr. GRAHAM. You can not give me the figures?

Mr. HYATT. I can not give you the figures offhand.

Mr. GRAHAM. Well, there are only three of you there?

Mr. HYATT. Yes; but I do not remember the figures. We have adopted no financing plan and therefore our finances are not settled, nor is the distribution of our stock settled.

Mr. GRAHAM. Now, Mr. Hyatt, did you ever put up any money personally out of your own private purse?

Mr. HYATT. No.

Mr. GRAHAM. Did either of the other gentlemen?

Mr. HYATT. I could not say.

Mr. GRAHAM. Well, what is the best of your knowledge?

Mr. HYATT. I really do not know.

Mr. GRAHAM. Are you the treasurer of the concern?

Mr. HYATT. No.

Mr. GRAHAM. What are you?

Mr. HYATT. Secretary.

Mr. GRAHAM. Who is treasurer?

Mr. HYATT. Mr. Critchfield is treasurer.

Mr. GRAHAM. Is it not your personal judgment that no money has ever been advanced by either of you gentlemen, but that the transactions have been between the Standard Oil Co. and the Government—that is, the Standard Oil Co. will advance on your pay rolls and other things and material bills, and then you get the accounts and certify them to the Government and they are paid; is not that the way it is done?

Mr. HYATT. I presume it would analyze down to about that.

Mr. GRAHAM. You keep the records of the corporation, do you not?

Mr. HYATT. I do not keep the books, of course, Mr. Graham.

Mr. GRAHAM. Do you have any books?

Mr. HYATT. Yes.

Mr. GRAHAM. Well, you keep the minutes of the meetings?

Mr. HYATT. Yes.

Mr. GRAHAM. Do you have stockholders' meetings or trustees' meetings?

Mr. HYATT. Yes.

Mr. GRAHAM. You speak of certain gentlemen who are interested in this and if the thing pans out all right who will go in. Who are they, Mr. Hyatt?

Mr. HYATT. Mr. Bedford and others interested in the Standard Oil Co.

Mr. GRAHAM. Standard Oil interests?

Mr. HYATT. Yes, sir; and others in Cleveland who are not Standard Oil interests.

Mr. GRAHAM. Do either of you gentlemen have any association in any way with the firm of which Mr. Crowell was formerly associated?

Mr. HYATT. You mean the construction firm?

Mr. GRAHAM. Yes.

Mr. HYATT. No.

Mr. GRAHAM. Well, in any interest in which he is associated?

Mr. HYATT. None whatever.

Mr. GRAHAM. When did you first hear personally of the project and when were you first asked to go into this proposition?

Mr. HYATT. Early in 1918.

Mr. GRAHAM. Do you know who approached the subject to you?

Mr. HYATT. Mr. Galagher and Mr. Ginn.

Mr. GRAHAM. I do not want to inquire too closely, but may I not ask you again how much stock you have in this enterprise?

Mr. HYATT. I really can not tell you, Mr. Graham. I would be glad to find out for you and let you know.

Mr. GRAHAM. Well, I would assume that one being in a corporation of this size, of this magnitude, might possibly know how much stock he had in it; but you do not know?

Mr. HYATT. I have told you that the three persons—that the three persons I have named are subscribers for stock.

Mr. GRAHAM. But you have no certificates?

Mr. HYATT. No certificates have been issued.

Mr. GRAHAM. Then no division of stock has been made?

Mr. HYATT. I do not say no division. There must be some division of the subscriptions.

Mr. GRAHAM. Is there a contract between you?

Mr. HYATT. No.

Mr. GRAHAM. Did you sign a subscription for stock?

Mr. HYATT. Yes, sir.

Mr. GRAHAM. How much did you subscribe for?

Mr. HYATT. That is what I do not remember.

Mr. GRAHAM. Do you know?

Mr. HYATT. I will be glad to ascertain.

Mr. GRAHAM. Do you know how much your partners subscribed for?

Mr. HYATT. No; I do not, Mr. Graham.

Mr. GRAHAM. As a matter of fact, Mr. Hyatt, this corporation is on paper only, is it not?

Mr. HYATT. No; it is a real corporation.

Mr. GRAHAM. Do you carry an account in a bank any place?

Mr. HYATT. Yes, sir.

Mr. GRAHAM. What bank are your checks drawn on?

Mr. HYATT. The First National Bank in Cleveland.

Mr. GRAHAM. Of Cleveland?

Mr. HYATT. Yes, sir.

Mr. GRAHAM. Who signs them?

Mr. HYATT. Mr. Critchfield, I think, signs alone now.

Mr. GRAHAM. Signs what?

Mr. HYATT. Signs alone now as treasurer.

Mr. GRAHAM. Well, for a while someone else signed on them?

Mr. HYATT. I do not recollect.

Mr. GRAHAM. How do you get your money from the Standard Oil Co.? How is that done?

Mr. HYATT. I do not know. I presume that it is remitted or deposited to our credit as we need it.

Mr. GRAHAM. You do not have a very intimate knowledge of the affairs, of the workings of it, do you, Mr. Hyatt?

Mr. HYATT. Not of the way the money is transmitted.

Mr. GRAHAM. No; I should judge not. I think that is all.

Mr. JEFFERIS. As a matter of fact, there has not been any stock at all issued by the corporation?

Mr. HYATT. No stock certificates have been issued.

Mr. JEFFERIS. You take your subscriptions as being the foundation upon which is the basis of the corporation.

Mr. HYATT. Yes; a subscriber is a stockholder.

Mr. JEFFERIS. Even though he has not paid anything on the stock?

Mr. HYATT. Yes. Of course, something has been paid on the stock in this case.

Mr. JEFFERIS. How is that?

Mr. HYATT. Yes, I do. Of course, something has been paid on the stock in this case.

Mr. JEFFERIS. Has some money been paid into the company?

Mr. HYATT. I presume half a million dollars has been paid in.

Mr. JEFFERIS. Who paid it in?

Mr. HYATT. The money has come from one source, as Mr. Graham developed.

Mr. JEFFERIS. The Standard Oil Co.?

Mr. HYATT. I presume so.

Mr. GARRETT. Why was the Cleveland contract suspended or canceled?

Mr. HYATT. It was in a little bit different shape so far as the Government was concerned. It was not very far along and it was a contract under which the Government did not pay the entire cost as it went along.

Mr. GARRETT. Was the construction work at Fairmont further advanced than it was at Cleveland?

Mr. HYATT. Yes.

Mr. GARRETT. You still own the real estate in Cleveland?

Mr. HYATT. Yes; we still own it.

Mr. GARRETT. May I ask if you contemplate constructing a plant there or will you wait until you have experimented with the Fairmont—or have you any definite ideas?

Mr. HYATT. Our plans are not definite on it. We are holding it where it is for the present.

Mr. GARRETT. Are you making any effort to sell the real estate?

Mr. HYATT. I beg pardon?

Mr. GARRETT. You are not making any effort to sell your real estate?

Mr. HYATT. No. It is a pretty hard job to sell a block of that size.

Mr. JEFFERIS. You say the Government was not paying all the construction charges on the Cleveland plant?

Mr. HYATT. No; the Government paid 58 per cent, as I recall it.

Mr. JEFFERIS. And your company was to pay the other 42?

Mr. HYATT. That is correct; yes, sir.

Mr. JEFFERIS. Was that the reason for the cancellation of the contract, because you could not get the money from the Government to pay it?

Mr. HYATT. No. Of course, it was a Government cancellation.

Mr. JEFFERIS. On orders?

Mr. HYATT. I presume the Government figured it did not have as much invested in the Cleveland plant as in the Fairmont plant and that, therefore, its interests would be best served by not going ahead at Cleveland. It also might have been influenced by some other things. I do not know.

Mr. JEFFERIS. Your company was anxious to accept that, too, was it not, so as to save you putting up the other 42 per cent?

Mr. HYATT. Hardly.

Mr. JEFFERIS. How is that?

Mr. HYATT. Hardly.

Mr. JEFFERIS. But on the one at Fairmont the Government was to put up all the cost of construction.

Mr. HYATT. We paid, but the Government repaid us.

Mr. JEFFERIS. Well, I say it was to put up all of it ultimately.

Mr. HYATT. That is correct.

Mr. JEFFERIS. So, in the bidding on it there was very little chance taken by the Domestic Coke Corporation and the Government was to pay for it ultimately?

Mr. HYATT. That is a matter of opinion, Mr. Jefferis.

Mr. JEFFERIS. Was this a sort of experiment, as I understand it, from the question you answered of Mr. Garrett's? This domestic coke business—is that an experiment?

Mr. HYATT. It is a pretty hard question to answer. I suppose anything is an experiment in a sense.

Mr. JEFFERIS. I thought you answered Mr. Garrett that it was somewhat of an experiment.

Mr. HYATT. Mr. Garrett used the word in a question. I did not pay any attention to it in my answer.

Mr. JEFFERIS. Is this coke to be sold for domestic purposes?

Mr. HYATT. Yes, sir.

Mr. JEFFERIS. Is not it more or less of an experiment?

Mr. HYATT. No; we do not think so.

Mr. JEFFERIS. But you said a little while ago that Mr. Gallagher had suggested something of this kind—of selling it for domestic use.

Mr. HYATT. Yes.

Mr. JEFFERIS. That he thought the time had come for it.

Mr. HYATT. Yes.

Mr. JEFFERIS. Was there any company doing that to your knowledge?

Mr. HYATT. I presume that most of the companies that are selling coke are using beehive ovens, which do not give you the by-products.

Mr. JEFFERIS. Is yours a beehive oven?

Mr. HYATT. No; it is a by-product oven.

Mr. JEFFERIS. It is not a beehive oven that you are building?

Mr. HYATT. No, a by-products oven.

Mr. JEFFERIS. Do you know whether there are any other such ovens in the country?

Mr. HYATT. By-products ovens?

Mr. JEFFERIS. Like what you are building.

Mr. HYATT. There are some in Buffalo, there are some in Cleveland too, I believe.

Mr. JEFFERIS. Then, if the Standard Oil Co. has been putting up what money has been paid on the stock and is to see that this plant is taken off of the Government's hands at an appraised value, given its guarantee, this really simmers down to a Standard Oil proposition, does it not?

Mr. HYATT. It might be called that, yes, sir.

Mr. JEFFERIS. When that time comes, I suppose you three gentlemen that incorporated the Domestic Coke Corporation expect to get some allotment of stock in some way for your services, is that it?

Mr. HYATT. No, not for our services. We may participate in the enterprise because we have been interested in it.

Mr. JEFFERIS. Are you on salaries?

Mr. HYATT. Yes, sir.

Mr. JEFFERIS. All three of you?

Mr. HYATT. Mr. Critchfield is.

Mr. JEFFERIS. What salary does he get?

Mr. HYATT. I do not know.

Mr. JEFFERIS. Who pays him?

Mr. HYATT. I beg pardon?

Mr. JEFFERIS. Who pays his salary?

Mr. HYATT. I suppose he pays it by the corporation's check.

Mr. JEFFERIS. Is that charged in as part of the cost?

Mr. HYATT. I can not say.

Mr. JEFFERIS. Do you get a salary?

Mr. HYATT. No, not at the present time.

Mr. JEFFERIS. Have you been getting one?

Mr. HYATT. No.

Mr. JEFFERIS. How about Mr. Ginn?

Mr. HYATT. I am not certain whether Mr. Ginn draws a salary or not, probably not at this stage of the game.

Mr. JEFFERIS. Do you think he did some time ago?

Mr. HYATT. No, I do not recollect having heard a salary mentioned as to him. I doubt very much whether he draws one, but when the corporation gets going on its own hook he probably will be taken in.

Mr. JEFFERIS. Mr. Critchfield is really the man, as I understand it, that had the negotiations with the Standard Oil Co. to have them guarantee the proposition?

Mr. HYATT. Oh, I do not remember who had the negotiations, but Mr. Critchfield, I presume, has had something to do with it, because he has always been active in these things, more active perhaps than I have.

Mr. GRAHAM. Do you have with you a copy of your contract with the Government on the Fairmont plant?

Mr. HYATT. No, I have not, Mr. Graham. I presume that the department has copies of it in its files which would be accessible to you.

Mr. GRAHAM. I think that is all.

TESTIMONY OF MR. VAN HORNE—Recalled.

Mr. GARRETT. Mr. Van Horne, as I understand the elements that you took into consideration in fixing this salvage value or in agreeing to this salvage value were the size of the sheets?

Mr. VAN HORNE. That was a large consideration.

Mr. GARRETT. The charges for handling?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. And the prospective freight charges?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. If it were sold to other concerns and had to be shipped?

Mr. VAN HORNE. And anticipated depreciation in the market.

Mr. GARRETT. Just what do you mean by anticipated depreciation in the market?

Mr. VAN HORNE. That there would be a further reduction in the price of tin plate, which would take it down from \$7.35 to \$7 per base box.

Mr. GARRETT. \$7.35 being the market price at that time?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. That was for standard size?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. Fourteen by twenty?

Mr. VAN HORNE. Fourteen by twenty-eight.

Mr. GARRETT. And what was the size of it?

Mr. VAN HORNE. I can not state, offhand [consulting papers]. Some of it is $24\frac{1}{2}$ by $26\frac{1}{2}$, 90-pound; $22\frac{1}{2}$ by $27\frac{1}{2}$, 80-pound; $22\frac{1}{2}$ by 28, 38—I should say gauge instead of pound.

Mr. GARRETT. Take that $22\frac{1}{2}$ by 28.

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. What does that bring?

Mr. VAN HORNE. It was all settled on the same basis, \$5.50.

Mr. GARRETT. \$5.50. That does not mean for the same number of plates that size as of 14 by 28. Is it the surface measurement that you take into consideration?

Mr. VAN HORNE. It is figured out into base boxes, that is to exactly what amount of that size of tin plate and weight it would take to make a base box.

Mr. GARRETT. Of standard size?

Mr. VAN HORNE. Yes, sir. I am not sufficiently well familiar now with the exact figures on that to say.

Mr. GARRETT. How many sheets of tin in a base box?

Mr. VAN HORNE. It depends upon the gauge.

Mr. GARRETT. Well, 14 by 20?

Mr. VAN HORNE. It depends upon the gauge.

Mr. GARRETT. By that you mean the thickness of it?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. Therefore, when you say 20-gauge you refer to the thickness of the tin?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. What was the gauge of this 22 by 28?

Mr. VAN HORNE. 38-gauge.

Mr. GARRETT. How many sheets would there be in a base box?

Mr. VAN HORNE. I do not remember.

Mr. GARRETT. When you speak of a market price of \$7.35, what is meant by that?

Mr. VAN HORNE. That represents the offering at the mills f. o. b. Pittsburgh.

Mr. GARRETT. This \$7.75 price was a Government-fixed price, was it not?

Mr. VAN HORNE. I believe it was.

Mr. GARRETT. That is in the testimony here.

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. But the \$7.35 was not?

Mr. VAN HORNE. I think the \$7.35 was also, although I am not positive that it was.

Mr. GARRETT. That \$7.35 was what was being quoted at the mills to the trade?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. That is what they were asking for it?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. As a matter of fact did you investigate to ascertain whether there was any movement or not at that price from the fields?

Mr. VAN HORNE. Yes, sir; I did. There was very little tin plate moved at the mills from the best information obtainable at that time at that price. In fact, I was told that there were purchases being made as low as \$7 at that time.

Mr. GARRETT. Were there many purchases being made at \$7, do you know?

Mr. VAN HORNE. Very, very little. The can industry was in a very bad state at that time. There were very few companies doing business.

Mr. GARRETT. Was it suitable for anything except making cans?

Mr. VAN HORNE. I am not in position to state as to that. I do not believe it was.

Mr. GARRETT. That is what it was bought for by the Government.

Mr. VAN HORNE. Well, it was not bought for the Government.

Mr. GARRETT. I mean contracted for by the Government?

Mr. VAN HORNE. Yes, sir. However, 38 gauge tin is not very suitable for making cans out of. I do not say that you can not do it, but it is not usual.

Mr. GARRETT. Is it too thick?

Mr. VAN HORNE. No; too thin. You can tear it with your fingers.

Mr. GARRETT. For what was that used?

Mr. VAN HORNE. That was used for the tops of cans so they could be easily cut out. Possibly you have seen tobacco cans that you can open up and twist open very easily. As I say, you can tear it with your fingers. It is something that is very little used now.

Mr. GRAHAM. Often times the tops of some of these oblong cans is of 38-gauge tin for ease in opening?

Mr. VAN HORNE. They are very little used any more. The tobacco companies have almost discontinued them—I believe they have done so entirely.

Mr. GRAHAM. Do you know Mr. James Clark, of the Clark Can Co.?

Mr. VAN HORNE. I never heard of the gentleman.

Mr. GRAHAM. Of Philadelphia, Pa. Do you know anything about the Clark Can Co.?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. You have had no negotiations with that company?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. For contracts of any kind?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. Do you know Mr. Harry M. Hatch, director of sales and manufactures of the Elwood-Meyers Co., of Springfield, Ohio?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. Did you ever have any negotiations with that company?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. About the manufacture of cans?

Mr. VAN HORNE. I naturally would not have placed any contracts in Springfield because there were no cracker manufacturers there. These contracts had to be placed in very close vicinity to a cracker manufacturer. It was not practical to ship them.

Mr. GRAHAM. It was not practical to ship the cans?

Mr. VAN HORNE. No, sir; it was not; no, sir. They were generally hauled by truck, except in one instance in Baltimore there was an overproduction of cans there, more than the hard-bread manufacturers could take care of, and a few were shipped up to Philadelphia to be filled.

Mr. GRAHAM. What Baltimore concern did you have a contract with?

Mr. VAN HORNE. I did not make any of those contracts.

Mr. GRAHAM. Well, do you know?

Mr. VAN HORNE. I did know, but I am positive now there was four or five contracts there. They manufactured comparatively few cans.

Mr. GRAHAM. Do you know Mr. J. H. Klingstine, of the Tin Decorating Co., of Baltimore?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. Did you ever have any dealing with the Tin Decorating Co.?

Mr. VAN HORNE. I was in Baltimore at one time in an advisory capacity, sent one day there, and called on several can manufacturers together with a representative from Washington and a representative from the Baltimore people. I took no part in the negotiations and I even forget now who I did call on. It is very possible that I was in their factory.

Mr. GRAHAM. The Tin Decorating Co. had a contract for the Government upon which a claim was filed.

Mr. VAN HORNE. I believe that was one of the cases. I was in their office.

Mr. GRAHAM. You did not have that claim for investigation?

Mr. VAN HORNE. No, sir; merely I was down there one day to act in an advisory capacity. I have no record of the meeting and I would not attempt to testify as to what happened.

Mr. GRAHAM. Do you know whether anything of the original contract of the American Can Co. or any of their subsidiary companies was modified by parole in any way from the written contract?

Mr. VAN HORNE. I do not think I know exactly what you mean by parole.

Mr. GRAHAM. By oral agreement. For instance, did anything of this sort occur after the original contract was entered into; was there any oral agreement between any of the representatives of the Gov-

ernment whereby facilities not mentioned in the written contract were added?

Mr. VAN HORNE. There were no facilities added in the original contract of any kind.

Mr. GRAHAM. No facilities were mentioned?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. All those were made by verbal agreement?

Mr. VAN HORNE. There was no necessity to make any verbal agreement. There was no mention of special facilities in placing the contract except as to the possibility of getting it out. It did not go into the question of price excepting—well, I will not say it did not go into the question of price, but it did not go into a consideration in any way whatsoever. They were not mentioned in any of the contracts I have ever seen there at the New York depot.

Mr. GRAHAM. Well, the Government did assume, however, some responsibility in connection with the putting in of these special facilities?

Mr. VAN HORNE. They assume responsibility for the completion of the contracts. There was no clause for cancellation excepting in the one contract in New York. The Government was liable for the completion of that contract; therefore it was not necessary for the contractor to take into consideration special facilities in making the contract until there was a cancellation put in.

Mr. GRAHAM. How much time did you devote personally to the negotiations touching the settlement of this claim, Mr. Van Horne, do you remember?

Mr. VAN HORNE. As to this particular claim it is rather hard to say. I settled practically all my hard-bread cases before I took up the American Can case, and the whole thing covered a period of from shortly after the signing of the armistice up to the date of the termination of the contract, which was along in February.

Mr. GRAHAM. Were they settled on this same salvage basis?

Mr. VAN HORNE. Not exactly the same.

Mr. GRAHAM. What was the salvage basis on the tin?

Mr. VAN HORNE. I can not state offhand.

Mr. GRAHAM. Practically the same?

Mr. VAN HORNE. About \$5.50.

Mr. GRAHAM. Practically \$5.50?

Mr. VAN HORNE. Approximately, yes. All the rest of the cases were very much smaller and where you have a smaller quantity of tin plate it is very much easier to dispose of it than if it is a large quantity.

Mr. GRAHAM. Did the companies having stock on hand take them in all instances, or did you sell some to others?

Mr. VAN HORNE. In all cases they took it over. I always found I could get a better settlement by the contractor taking over the material and facilities, than I could by selling them otherwise.

Mr. GRAHAM. Your estimate, I believe, was for the cost, about 50 cents for handling?

Mr. VAN HORNE. And carrying charges.

Mr. GARRETT. What do you mean by "carrying charges"? Interest on money?

Mr. VAN HORNE. Interest on money and storing.

Mr. GARRETT. In the ordinary contracts on steel from the mills to the consumer is the price f. o. b. at the mill?

Mr. VAN HORNE. F. o. b. Pittsburgh is the customary way of selling tin plate; yes. That is the way all prices are figured, no matter from where they are shipped.

Mr. GRAHAM. Were you directed by any one of your superiors in office as to what contracts you should enter into and how many cans should be made?

Mr. VAN HORNE. I was directed by Washington as to that, the Quartermaster General's Office.

Mr. GRAHAM. The Quartermaster General's Office directed you how many to buy?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Was any fixed policy laid down as to how large purchases to make?

Mr. VAN HORNE. No, sir. They were determined entirely by the requisitions from overseas.

Mr. GRAHAM. As a matter of fact—I do not know whether you know it or not—there were but 30,000,000 cans, hard-bread cans, shipped overseas, as the record shows. You ordered 150,000,000 of them. What I am wondering is why it was advisable to order such a large amount of bread cans, in view of the fact that you had not used any more. Do you know anything about that?

Mr. VAN HORNE. I believe I am safe in saying that it took the average factory about three months to equip itself to turn out hard-bread cans.

Mr. GRAHAM. There were many factories that were already equipped.

Mr. VAN HORNE. There was no factory, to the best of my knowledge, that was equipped to turn out a hard-bread can.

Mr. GRAHAM. Yet you had made contracts, had you not?

Mr. VAN HORNE. Oh, yes; but I mean originally, when we first started.

Mr. GRAHAM. You made a 15,000,000-can contract with the American Can Co. three days before the armistice.

Mr. VAN HORNE. Well, the contract was dated at Washington that date, but it had been negotiated some time before, and it took quite a long time before the contract was delivered.

Mr. GRAHAM. Why, many of these contracts were informal and entered into in an informal way. Why was it necessary to take such a long time?

Mr. VAN HORNE. I could not exactly state, because I do not know the exact procedure of drawing a contract. I negotiated the contract and after I turned the papers over to be drawn it would always be quite considerable time before a contract was received.

Mr. GRAHAM. How long?

Mr. VAN HORNE. I could not tell exactly.

Mr. GRAHAM. Then why did you say it would be a long time?

Mr. VAN HORNE. Several weeks, generally speaking.

Mr. GRAHAM. You said that one of the reasons for making contracts in advance was that it took a long time to get them made. Now, you ought to have something in your own mind upon which to base that.

Mr. VAN HORNE. Approximately a month.

Mr. GRAHAM. So from the time that anybody ordered anything on a requisition it would take about a month to get a contract?

Mr. VAN HORNE. In some cases.

Mr. GRAHAM. Was that the majority rule?

Mr. VAN HORNE. On large contracts.

Mr. GRAHAM. Well, on these bread-can contracts?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Could not that have been shortened up in some way?

Mr. VAN HORNE. I know nothing whatsoever as to that.

Mr. GRAHAM. The fact remains that up to the time of the signing of the armistice but 30,000,000 cans had been shipped overseas with bread in them. That is what the record shows; that 15,000,000 tons of bread were shipped overseas, and, of course, that would be 30,000,000 cans, and yet just a few days before the armistice you ordered 15,000,000 more cans. Do you know any reason for that shortage?

Mr. VAN HORNE. Why, yes. That contract, I believe, called for delivery of approximately 300,000 cans a day. That contract would be completed in 50 days. I do not believe that anybody had any idea the war was going to end when it did. I am sure I did not.

Mr. GRAHAM. How many cans do you presume had been made up to this time out of this 150,000,000? On this last contract, how many do you suppose had been made?

Mr. VAN HORNE. We had a large number of can contracts outside of this New York zone occupied by the American Can Co. The New York zone included New York, Pennsylvania, and New Jersey.

Mr. GRAHAM. Do you know where the rest of the bread cans are that have not been used?

Mr. VAN HORNE. Every can that was manufactured, to the best of my knowledge and belief, was shipped overseas.

Mr. GRAHAM. Well, the records do not show it, unless they were sent over since the armistice.

Mr. VAN HORNE. There was some hard bread shipped over since the armistice and several million cans were utilized for sending candy over after the signing of the armistice.

Mr. GRAHAM. For shipping candy?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. These hard bread cans?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. What kind of candy?

Mr. VAN HORNE. Hard candy.

Mr. GRAHAM. Do you know how many million cans were utilized for that?

Mr. VAN HORNE. No; I am not positive, but I think it was three or four million cans.

Mr. GRAHAM. Well, what was done with the rest of them?

Mr. VAN HORNE. To the best of my knowledge, there are no hard-bread cans in this country. They were all shipped overseas.

Mr. GRAHAM. Have not hard bread cans been shipped over since the armistice with hard bread in them?

Mr. VAN HORNE. There was shipments going out daily, very large shipments going out daily, and I do not believe they were stopped immediately, because I believe all that were filled were shipped over-

seas, and I believe it was about 10 days or 2 weeks before we entirely suspended operations—all of that—hard bread was shipped overseas.

Mr. GRAHAM. I suppose your opinion about that is not very reliable. You are not advised of that—you were not advised about that, were you?

Mr. VAN HORNE. As to whether it went overseas or not?

Mr. GRAHAM. Yes.

Mr. VAN HORNE. I believe I am absolutely correct on that. There may be some that were packed in trench ration containers for the men overseas.

Mr. GRAHAM. How many cans were furnished by the American Can Co. on their contract alone?

Mr. VAN HORNE. I can not tell you offhand. I can tell you in a very few moments [consulting papers].

Mr. GRAHAM. Can you tell us by reference to the papers you have in your hand if these various contracts that appear in the records here and see if we can not find out what they were.

Mr. VAN HORNE. On the New York contract, the four under consideration here, there were 47,226,017 cans.

Mr. GRAHAM. And how many were delivered from others?

Mr. VAN HORNE. There were two previous contracts in New York City of 2,000,000 each, one of which was completed and the other, I believe there was about 1,000,000; the other million was canceled.

Mr. GRAHAM. That is 3,000,000.

Mr. VAN HORNE. Yes; that is about 3,000,000 in addition to this 47,000,000.

Mr. GRAHAM. Now, how many did you have from Long Island and Chicago?

Mr. VAN HORNE. That amount includes the Illsley and both factories in New York City.

Mr. JEFFERIS. The 47,000,000 included New York City.

Mr. GRAHAM. How about the Miami factory?

Mr. VAN HORNE. You mean the Chicago factory?

Mr. GRAHAM. Yes.

Mr. VAN HORNE. I am not positive that I have that statement here. On the 15,000,000 contract I know there was not very many delivered, and I forget how many contracts there were out there previously, but I know there had been several millions.

Mr. GRAHAM. Page 972 says 1,464,597.

Mr. VAN HORNE. This is the Chicago contract. There was one contract for 10,000,000 delivered out there.

Mr. GRAHAM. That was finished?

Mr. VAN HORNE. That was completed; and there were four contracts—

Mr. GRAHAM (interposing). That was a part of the 47,000,000?

Mr. VAN HORNE. My recollection is not exactly clear on that. No, sir; that was not a part of the 47,000,000.

Mr. GRAHAM. All right; that is another 10,000,000.

Mr. VAN HORNE. There were other contracts in Chicago previous to that, but I do not exactly know how many there were; not very many. There were other large contracts in Chicago.

Mr. GRAHAM. Now, at St. Paul you delivered 884,000?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. And New Orleans 163,064?

Mr. VAN HORNE. There were also several million at Philadelphia. There were at least six or seven million from Dayton, Ohio. There were a couple of million from Buffalo; approximately a million from Pittsburgh; and there were other large contracts in Chicago which delivered—I can not say offhand how many. A fair estimate would be at least seven or eight million.

Mr. GRAHAM. Well, you have got 80,000,000 cans now?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. So far as the record shows up until the signing of the armistice 30,000,000 of them were shipped overseas and you speak of about 3,000,000 that have been shipped since with candy in them.

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. What had become of the rest of the cans?

Mr. VAN HORNE. Gone overseas.

Mr. GRAHAM. With bread in them?

Mr. VAN HORNE. With bread in them; yes, sir.

Mr. GRAHAM. Since the armistice?

Mr. VAN HORNE. Mostly before.

Mr. GRAHAM. The record contradicts you on that, Mr. Van Horne. The record that we have comes from the department direct, showing the amount they delivered up to November 11 is 15,000,000 pounds.

Mr. VAN HORNE. I can not help what the records show. All I know is those cans were filled with hard bread, left our factory to go overseas, and the reports to me were that they were sent. They were all delivered directly to the docks or to Busch Terminal, where they were packed for shipment overseas. Many of those were packed in large drums. I can easily show why the record only shows 15,000,000 pounds of hard bread shipped overseas.

Mr. GRAHAM. Why?

Mr. VAN HORNE. Cans of this bread went over in galvanized iron containers containing also canned meats and soluble coffee, packed in hermetically sealed galvanized iron containers for use in the trenches. They did not go over as hard bread; they went over as trench rations.

Mr. GRAHAM. So you think the Quartermaster Department does not know how much hard bread they sent overseas?

Mr. VAN HORNE. These were not carried as hard bread, but as special reserve rations, trench rations, as we call them, as emergency rations. There was a great deal more hard bread sent over that way than there was shipped over just in crates.

Mr. GRAHAM. On page 858 of the record appears the following:

NOVEMBER 15, 1918.

Memorandum.

From: Capt. D. E. Graham.

To: Capt. Walker.

Subject: Hard bread.

1. The total amount of hard bread, packed for overseas shipment, in tins, in transit, at the docks and on order, is approximately 22,000,000 pounds. The average price is 25½ cents per pound f. o. b. the various shipping points.

Mr. VAN HORNE. That would be 44,000,000 tins?

Mr. GRAHAM. Yes. [Reading:]

2. The amount of hard bread in cartons in transit in dock and on order, packed for overseas shipment is 3,750,000 pounds. The average price is 13½ cents per pound f. o. b. various shipping points.

3. In case the hard-bread contracts, in tins and cartons, are to be canceled in accordance with request of Gen. Rose it will be necessary to cancel approximately 15,000,000 pounds in tins and 1,700,000 pounds in cartons.

4. The total quantity of hard bread in tins floated to France to date is 15,875,000 pounds, and in cartons 4,687,000 pounds.

It would appear that if the amount floated to France were 15,875,000 pounds there would be about 31,500,000 tins.

Mr. GARRETT. That had already gone and now there were 22,000,000 on the docks in addition.

Mr. VAN HORNE. On contracts on the docks.

Mr. GRAHAM. In tins, in transit, on the docks, and on orders. I see.

Mr. VAN HORNE. I beg pardon. I would like to correct one point there at issue. That is that the contracts for hard bread did not necessarily coincide with contracts for hard bread tins.

Mr. GRAHAM. Why?

Mr. VAN HORNE. They were entirely separate contracts, excepting in one instance there was only one contract—

Mr. GRAHAM (interposing). But the hard bread went in.

Mr. VAN HORNE. But we did not always contract for hard bread when we contracted for tins. In other words, there may have been a good many more tins contracted for than would show from that record there. That only indicates the amount of hard bread contracted for.

Mr. GARRETT. That would include the other 15,000,000?

Mr. VAN HORNE. No; 15,000,000 had already gone overseas.

Mr. GARRETT. The total as packed for overseas.

Mr. VAN HORNE. That had not been shipped.

Mr. GARRETT. Of course, that is open to controversy whether that is what he means.

Mr. VAN HORNE. I feel sure that is what he means, because I consulted with him in the drawing up of this report.

Mr. GRAHAM. All right, let us leave that. You say the handling charges were 50 cents per base box?

Mr. VAN HORNE. Approximately.

Mr. GRAHAM. What do you mean by handling charges? I think Mr. Garrett asked you that, but let me ask you again.

Mr. VAN HORNE. I did not state entirely handling charges. I mean freight from the factory.

Mr. GRAHAM. In the first instance you replied to Mr. Jefferis that the handling charges were 50 cents a base and then afterwards, on further examination I think by Mr. Garrett included that element of freight.

Mr. VAN HORNE. Freight and carrying charges.

Mr. GRAHAM. What do you mean by "carrying charges"?

Mr. VAN HORNE. Interest, storage—

Mr. GRAHAM. Interest on what?

Mr. VAN HORNE. Interest on the investment.

Mr. GRAHAM. Investment on the tin plate?

Mr. VAN HORNE. There was approximately \$75,000 worth of tin plate on hand.

Mr. GRAHAM. Investment in the tin plate, is that what you mean?

Mr. VAN HORNE. I beg pardon?

Mr. GRAHAM. Do you mean the investment in the tin plate?

Mr. VAN HORNE. That means an average of 4 cents per month, I believe.

Mr. GRAHAM. So that is what you mean by the 50 cents per base box, is it?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. How do you arrive at the figure of 50 cents per base box?

Mr. VAN HORNE. That is an approximate figure.

Mr. GRAHAM. Where did you get it?

Mr. VAN HORNE. I forget now exactly where—I verified it.

Mr. GRAHAM. How could you verify it when you do not know how long they had carried the tin plate?

Mr. VAN HORNE. I did not know how long they had carried the tin plate.

Mr. GRAHAM. You said a while ago you had not looked at the invoices.

Mr. VAN HORNE. Not in all cases, but in some cases.

Mr. GRAHAM. You did not look at any invoices?

Mr. VAN HORNE. Not in all cases. I some cases I did.

Mr. GRAHAM. In New York you did?

Mr. VAN HORNE. Yes, sir. I left that to the Chicago people in Chicago and the New Orleans people in New Orleans.

Mr. GRAHAM. Did you look on the invoice on the last Chicago contract where they ordered 15,000,000 tins?

Mr. VAN HORNE. No, sir. I just made a statement that I did not see them. I left that to the Chicago people.

Mr. GRAHAM. Yes; you say after the contract was delivered, invoiced in New York and shipped out for those orders. You say that they had bought the tin plate since the orders were given?

Mr. VAN HORNE. I am not positive that I verified every date on the invoices. I know I looked for invoices and asked for them.

Mr. GRAHAM. Are you ready to swear to this committee that that tin plate, in all instances was bought after the contract was made?

Mr. VAN HORNE. No, sir; I could not swear to that.

Mr. GRAHAM. How could an allowance for salvage or the purchase of the tin plate be made unless the tin plate was bought after the contract was made and for that contract?

Mr. VAN HORNE. We were allowed to consider anything that was purchased in the negotiations on the contract.

Mr. GRAHAM. Well, who allowed you to do that?

Mr. VAN HORNE. Well, I can not say who the circular was by, nor have I a copy of the circular here. Whether it was just a ruling by the New York board or not I am not positive.

Mr. GRAHAM. Well, there were no negotiations for the conclusion of this contract until November 4, prior to the time when the contract was entered into?

Mr. VAN HORNE. It always took quite a period to negotiate these contracts before they were actually drawn.

Mr. GRAHAM. Isn't it a fact that you ordered from the American Can Co. as you needed, and that when you thought you wanted some more hard bread cans you simply ordered them?

Mr. VAN HORNE. No, sir; that is not a fact at all. We ordered in very large quantities, and as a verification I will say that we ordered

60,000,000 cans at one time in New York. That contract called for the delivery of 236,000 cans per day, although they did deliver up to 600,000 cans per day.

Mr. GRAHAM. Your judgment about 50 cents a base box is largely based on your information from the company?

Mr. VAN HORNE. No, sir; not entirely.

Mr. GRAHAM. What is it based on? If you did not examine the invoices, and if the stuff was not—if you did not know whether the stuff was in all cases bought for that particular contract, and if you did not know how long on hand, how can you figure it?

Mr. VAN HORNE. I could not figure it now in any way. I would not attempt to, because it has been some months since I did that.

Mr. GRAHAM. How did you do it?

Mr. VAN HORNE. I would not state.

Mr. GRAHAM. You have said it was 50 cents a box?

Mr. VAN HORNE. Yes, sir; that was my estimate at the time.

Mr. GRAHAM. You would not state how you got at it?

Mr. VAN HORNE. No, sir; I would not attempt to state it now. I knew at that time.

Mr. GRAHAM. You did not make any record of that at any place?

Mr. VAN HORNE. The statement is in the papers; yes, sir.

Mr. GRAHAM. Your statement is in the papers?

Mr. VAN HORNE. The statement is in the papers, recommending the making of these contracts.

Mr. GRAHAM. Made by you?

Mr. VAN HORNE. As dictated by me; yes, sir.

Mr. GRAHAM. How soon were these various contracts canceled after the termination of hostilities on the 11th of November?

Mr. VAN HORNE. How soon were they canceled?

Mr. GRAHAM. How soon were they suspended?

Mr. VAN HORNE. I believe, approximately, it was two weeks before production was entirely stopped. Immediately the production was curtailed and it was gradually reduced until entirely stopped.

Mr. GRAHAM. Immediately upon the suspension of the contracts, did you begin to advise with these people, or, not advise, but take up the question of settlements?

Mr. VAN HORNE. Not immediately, because I did not have the procedure at once. It was some little time before we got the procedure fully.

Mr. GRAHAM. You waited until you got the procedure and then started on this?

Mr. VAN HORNE. Yes, sir. We could not well proceed until a method had been decided upon.

Mr. GRAHAM. And you followed in all instances Circular 111 and the other instructions that were given to you?

Mr. VAN HORNE. Yes, sir; to the best of my knowledge and belief, I did.

Mr. GRAHAM. These circulars instructed you in settling matters of special facilities that you should allow to the contractor that proportion of the cost of his special facilities represented by the ratio that the uncompleted portion of the contract bore to the completed portion.

Mr. VAN HORNE. Less the salvage value.

Mr. GRAHAM. In that respect you followed exactly the rules that were laid down by the department?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. In making these contracts did you assume for the Government that at the conclusion of the contract and the delivery of the goods special facilities provided would belong to the contractor or to the Government?

Mr. VAN HORNE. They would belong to the contractor.

Mr. GRAHAM. On what theory? Just explain that.

Mr. VAN HORNE. There is no theory to it at all, it is an actual fact. Those special facilities were not mentioned in any way at all in the contract.

Mr. GRAHAM. So that when a contract was entirely completed all special facilities were to belong to the contractor?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. That was the intention all along?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. That was the idea you had of the right thing to do?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. You understood, didn't you, that an additional price was charged to the Government that was supposed to amortize or take care of the cost of the additional facilities?

Mr. VAN HORNE. I presume that was included in their estimate of cost.

Mr. GRAHAM. You knew it was, didn't you?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Take these cans that the American Can Co. agreed to make for from \$55 a thousand up to as much as \$65 a thousand, you knew that they charged an additional price in order to take care of the special facilities they had to install in order to make them?

Mr. VAN HORNE. I presumed they were doing that.

Mr. GRAHAM. Was it your theory that at the expiration of the contract the special facilities would be entirely exhausted and used up?

Mr. VAN HORNE. I did not theorize on that in any way whatsoever.

Mr. GRAHAM. If the Government paid for the cost of the special facilities by its additional price that it paid for the product, will you kindly tell me for my own satisfaction and information, why the Government should pay for them if they did not belong to the Government?

Mr. VAN HORNE. Because the contract did not so state.

Mr. GRAHAM. Why did not the contract so state?

Mr. VAN HORNE. I did not draw the contract.

Mr. GRAHAM. Did you ever see a contract, or did one ever go through your hands, in which a provision was made as to the disposition of these facilities at the end of the contract?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. You concede, do you not, Mr. Van Horne, that the contract did pay for these special facilities by way of increased price?

Mr. VAN HORNE. Up to a certain percentage of them; yes, sir; but I do not believe entirely.

Mr. GRAHAM. It did in this can company contract, didn't it?

Mr. VAN HORNE. I do not know, but do not believe it did.

Mr. GRAHAM. Why didn't it?

Mr. VAN HORNE. Because I believe consideration was taken as to the usability of that machinery after the contract was completed. In other words, what they figured that some of their machinery would be worth something after the contract was completed, and did not figure the entire cost. That is my recollection of the negotiations, and I could not swear to that.

Mr. GRAHAM. They charged enough to include them, didn't they?

Mr. VAN HORNE. I do not know.

Mr. GRAHAM. By this rule that the Government adopted and that you were compelled to follow, you had to assume that the property belonged to the contractor at the end of the contract?

Mr. VAN HORNE. The property did belong to the contractor.

Mr. GRAHAM. You had to assume that?

Mr. VAN HORNE. It did.

Mr. GRAHAM. You had to assume that under these rules?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. I did not ask you whether it did or not, but whether you assumed that in view of your instructions. You do not need to go beyond that in making your answer, but you can make any explanation you wish after you get done. I want to ask a few questions now on this: When the contract was terminated before the product was finished, the Government was expected to pay for the balance of the special facilities, and that is evidenced by the uncompleted portion of the contract?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. The theory being this, was it not, that the Government had already paid for that portion of the special facilities represented by the completed articles, delivered, and that in addition to that it ought to pay the balance of the price as represented by the uncompleted portion?

Mr. VAN HORNE. I do not know what the theory was in mind when the regulations for drawing these rules for terminating these contracts were adopted; I do not know even who drew them, but I followed these rules as laid down to me.

Mr. GRAHAM. Well, there was not anything else you could do, could you?

Mr. VAN HORNE. No, sir.

Mr. GRAHAM. You had to settle that way because the instructions were that you should settle that way?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Did you ever pretend to exercise your discretion about what items of special facilities you should allow and what not?

Mr. VAN HORNE. No; I did not presume to go beyond the instructions as laid down. They were very specific as to that.

Mr. GRAHAM. Well, suppose a man came in—a manufacturer who had a contract for cans or anything else—and he makes a sworn statement according to the rules that he bought so-and-so, and mentions a long list of machines that he bought with which to do this work; you did not go behind that statement, did you?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Did you investigate and see whether he did buy those machines?

Mr. VAN HORNE. I saw the invoices of all machinery and equipment on the New York contract. I personally verified it and otherwise went over it and compared prices paid as compared with their claim.

Mr. GRAHAM. Did you investigate the necessity for those particular machines with which to do the work?

Mr. VAN HORNE. I verified the fact that the machines were in the factory and in operation.

Mr. GRAHAM. Well, did you ascertain whether it was necessary for the contractor to purchase those additional facilities in order to do this work?

Mr. VAN HORNE. Yes, sir; I knew it was necessary, because I was in the factory almost daily, and was very much interested in their production.

Mr. GRAHAM. What factory are you speaking of?

Mr. VAN HORNE. The Ilsley and Long Island City factory.

Mr. GRAHAM. Were those factories doing any other kind of work at this time?

Mr. VAN HORNE. The Long Island City factory never did any other kind of work than hard-bread manufacture.

Mr. GRAHAM. How about the other factory?

Mr. VAN HORNE. There was some other work going on there.

Mr. GRAHAM. What kind of work?

Mr. VAN HORNE. Can manufacturing, mostly large, round cans, as I remember. I am not positive as to that.

Mr. GRAHAM. I notice in the settlement of the Chicago contract a very large amount of tin plate on hand. That cost, as it stated, \$152,390.18. That is on page 993 of our record. This tin plate, presumably, was purchased for the completion of the contract entered into November 4, 1918, was it not?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. I am told that the number of base boxes mentioned in this enumeration, being totalled as 16,891 base boxes, 213 base boxes, 783 base boxes, 842 base boxes, and 680 base boxes, would fill several railroad cars. This contract seems to have been entered into on the 4th of November. Do you contend, Mr. Van Horne, or do you state that this tin plate was purchased for this particular contract after the contract was entered into?

Mr. VAN HORNE. I do not care to make any statement concerning that.

Mr. GRAHAM. Well, I guess that is all.

Mr. GARRETT. Why? Because you don't know? Why don't you care to make a statement; because you do not know the facts?

Mr. VAN HORNE. I am not ready to swear to the facts, as my recollection is not absolutely clear on the matter.

Mr. GARRETT. Very well, then.

Mr. JEFFERIS. Do I understand you, Mr. Van Horne, that you entered into these contracts, 3660, 1042, 1043, and 1047?

Mr. VAN HORNE. I negotiated the contracts.

Mr. JEFFERIS. That is, you did not sign the contracts?

Mr. VAN HORNE. No, sir.

Mr. JEFFERIS. You negotiated them?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Did you ever see the contracts after they were executed?

Mr. VAN HORNE. I saw 3660, but I do not recall that I ever read over the other contracts.

Mr. JEFFERIS. Well, none of these contracts had any provision in it regarding special facilities or increased machinery, did it?

Mr. VAN HORNE. To the best of my knowledge and belief they did not.

Mr. JEFFERIS. And none of these contracts had anything in them about renting a building or equipping it, or anything of that kind, did it?

Mr. VAN HORNE. Not to my knowledge; although it was known by me that it was necessary.

Mr. JEFFERIS. It was known by you?

Mr. VAN HORNE. Yes, sir. In fact, the building was approved by me—the one they selected.

Mr. JEFFERIS. The Government had to pay for that lease of the building, as I understand it, in this claim, something like \$50,000.

Mr. VAN HORNE. I do not remember the exact figures.

Mr. JEFFERIS. For the cancellation of the lease and for the rent for it for the period of time occupied?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. And the Government had to pay that also, didn't it?

Mr. VAN HORNE. Proportionately; in relation to the proportion of the contract that they had.

Mr. JEFFERIS. When a claim would be sent to you for settlement, were you provided with copies of the contracts or were you simply provided with this order, Supply Circular No. 111?

Mr. VAN HORNE. I think probably Supply Circular No. 111, but I could get a copy of the contract at any time I wanted it from the contract department. I did have contract 3660. I do not remember reading over the other contracts specifically.

Mr. JEFFERIS. When you went to negotiate a settlement, your bible to go by was this Supply Circular No. 111, rather than the terms of the contract?

Mr. VAN HORNE. Circular No. 111, unless there was a terminating clause. None of my contracts had a terminating clause in them.

Mr. JEFFERIS. As a matter of fact, because there was no terminating clause in the contracts the contracts really in effect were disregarded and you settled according to Supply Circular No. 111?

Mr. VAN HORNE. I believe that is correct.

Mr. JEFFERIS. And Supply Circular No. 111, as I understand it, authorizes contractors to charge in special facilities and increased machinery that they purchased for performing the contract?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. And then you, accepting and being guided by this Supply Circular No. 111, followed that course and that course alone?

Mr. VAN HORNE. Yes, sir.

Mr. JEFFERIS. Then you used your judgment, I take it, on the salvage values of these things as best you could, with what information you could get?

Mr. VAN HORNE. With what information I could obtain; yes, sir.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. Mr. Van Horne, I would like to call attention to the committee's report, and I lay before you Part 19, serial 6, and ask you to look at page 964. That seems to be a list of special facilities, I assume, at the Isley factory?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. I notice that there are three columns of figures. For the purpose of illustration I will take the first item mentioned under this head of special facilities: "One No. 13 Bliss body maker purchased from the E. W. Bliss Co." In the first column under the head of "Cost value" is shown \$4,452. Does that represent what it cost that company?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. In the second column under the head of "Salvage value" there is shown \$500.

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. That is the amount which the company was willing to take it at?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. In the third column, under the head of "Loss," are the figures "\$3,952." That represents the difference between the cost and the salvage?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. That is true of all the items?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. The grand total of special facilities for the Isley factory is: Cost value, \$34,717.28; salvage value, \$12,069.93; loss, \$22,647.35.

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. Then I note these words, "Compensation claimed, 32.53 per cent of \$22,647.35, or \$7,367.18." In other words, this company claimed as compensation 32.53 per cent of the loss?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. That was allowed, was it?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. That percentage was allowed?

Mr. VAN HORNE. Yes, sir.

Mr. GARRETT. Can you state to the committee in a general way or specifically just how that percentage was arrived at and agreed upon as a fair percentage to be allowed?

Mr. VAN HORNE. That is carrying out the instructions as laid down in Circular No. 111, which states the percentage as being the uncompleted portion of the contract.

Mr. GARRETT. That is all.

Mr. GRAHAM. At this point Mr. Schmuck has offered a list of 12 questions to the committee which he asks to have the committee submit to the witness on the stand. The committee has examined the questions, and some seem to be competent and some are not; some of them call for direct facts, while some of them call for communications from other people who might be witnesses here but are not present, and therefore would call for ex parte statements that might be introduced without the right of cross-examination under oath. We want to go as far as we can, and we will ask as many of these questions as are competent. We can call for these reports and examine them, and they are competent and not filled with extraneous

material we will let them go in. If they are just ex parte statements, they have no place in this record.

The first question is this: "What firm offered the highest price for tin plate?"

Mr. VAN HORNE. I received one firm offer for tin plate involved in the American Can Co. contracts from Shalita Bros., New York City.

Mr. GRAHAM. The next question submitted by Mr. Schmuck is: "What price was offered?"

Mr. VAN HORNE. Five dollars per base box.

Mr. GRAHAM. Question No. 3 submitted is: "What would be the freight differential as affecting this price?" I do not know what Mr. Schmuck refers to, but probably you do.

Mr. VAN HORNE. I am not in a position to state that exactly.

Mr. SCHMUCK. May I at this point interrupt and explain that?

Mr. GRAHAM (interposing). We prefer to proceed in an orderly way and finish with this witness and then if you have any testimony to give you may give it.

The next question that is submitted here is this: "Did you write Mr. Frank Landon relative to the market price for tin?"

Mr. VAN HORNE. I did not write him but I had a conversation with him and a letter from him.

Mr. GRAHAM. I think you testified about him in your examination in chief.

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. About your communications with him?

Mr. VAN HORNE. Yes, sir.

Mr. GRAHAM. Who was he?

Mr. VAN HORNE. He was connected with the General Can Co. of Chicago, Ill. At one time he was appointed on a commission by the Quartermaster General, I believe, to go with two other men to investigate the cost of hard bread cans and to standardize equipment and the can itself.

Mr. GRAHAM. The next question submitted here is question No. 5, as follows: "What was his answer? Please submit to the committee a copy of his letter."

Mr. VAN HORNE. Here is the letter.

Mr. GRAHAM. The next question submitted here is: "Have you copies of letters written to you by various dealers making offers for various items of machinery?"

Mr. VAN HORNE. Yes, sir; I have several.

Mr. GRAHAM. The next question submitted to the committee is: "Please submit to the committee copies of such correspondence."

Mr. VAN HORNE. This refers to special facilities only, does it?

Mr. GRAHAM. I do not know.

Mr. VAN HORNE. I have other letters on tin plate, if you desire them.

Mr. GRAHAM. I have read the question submitted. You may submit the letters and we will look at them.

Mr. VAN HORNE. All right. Here they are.

(The witness submitted 14 letters.)

Mr. GRAHAM. The next question submitted is question No. 9: "Why and by whom was the proposed settlement with the American Can Co. submitted to the Board of Appraisal?"

Mr. VAN HORNE. It was submitted to the Board of Appraisal on orders from the Zone Board of Contract Review by Capt. George G. Andrews.

Mr. GRAHAM. The next question is: "Have you a copy of their report?"

Mr. VAN HORNE. Yes, sir; I have.

Mr. GRAHAM. The next question is, being No. 11: "Please submit it to the committee."

Mr. VAN HORNE. Here it is.

Mr. GRAHAM. Question No. 12 is: "Please submit to the committee copies of your report and that of Lieut. Dannemann relative to the statements made to the New York Board of Zone Review when these statements were under consideration by said board."

Mr. VAN HORNE. Here are the reports of Lieut. Danneinann and of the zone supply officer at New York.

Mr. GRAHAM. We will take the time to look these over to see whether they are relevant and should become a part of the record.

Mr. VAN HORNE. All right; I am submitting them.

(The two reports referred to were submitted and were held to be immaterial and not the best evidence of matters therein referred to.)

TESTIMONY OF MR. THOMAS K. SCHMUCK—Resumed.

Mr. GARRETT. I do not think it got into the record this morning, but if I am mistaken you will correct me: How long were you connected with the War Department?

Mr. SCHMUCK. Prior to the war I had been a National Guard officer and was captain in the First Regiment, First Ohio National Guard. I was thereafter discharged for physical disability. That was about the time we entered the war. My eyesight is extremely defective. I have exactly 0.05 vision without my glasses, which is very materially below par. I was not acceptable as a line officer. I was out of the service from about July until the latter part of December, when I succeeded after very strenuous endeavors in getting back into the service. I did not succeed, however, in getting back as a line officer, but was then commissioned as a staff officer in the Military Intelligence Service, from December, 1918, until February 8, 1919, when I was discharged. During my service as military intelligence officer I had charge originally of counter espionage in the central department, and some time prior to the armistice I had charge of general counterespionage in the United States among the civilian population, and was discharged at my own request February 8, 1919. Shortly thereafter I became connected with the Purchase, Storage and Traffic Division, and I think it was about February 22 or 23, to be more exact. At that time I was attached to the claims board. I think my title was legal expert or something of that sort. I became a member of the Board of Review, Office of Director of Purchase, some time in March, and I followed either A. M. White, a New York banker, on the board or succeeded Capt. Lee, I do not remember which. Shortly thereafter Gen. William H. Rose, Director of Purchase, resigned from the Army, and I succeeded him as a member of the claims board, Office of Director of Purchase, and have been in that capacity ever since.

Mr. GARRETT. Are you still in that service?

Mr. SCHMUCK. I am still a member of the claims board. I have served continuously since my appointment, following Gen. Rose's resignation.

Mr. GARRETT. What is your profession?

Mr. SCHMUCK. I am a lawyer by profession. I am a member of the Cincinnati bar.

Mr. GARRETT. Have you held any official positions, public office of any sort?

Mr. SCHMUCK. No, sir; I have never held public office.

(Thereupon the witness was excused.)

Mr. GRAHAM. Maj. Holder, who will you have next?

Maj. HOLDER. I would suggest that you hear Mr. Stein next.

Mr. GRAHAM. All right. Mr. Stein, you may come around and be sworn.

**TESTIMONY OF MR. B. F. STEIN, VICE PRESIDENT STEIN-BURN
CAMP & FIELD EQUIPMENT CO., CHICAGO, ILL.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. I assume that you are a member of the Stein-Burn Camp & Field Equipment Co.

Mr. STEIN. Yes, sir; vice president.

Mr. GRAHAM. Your settlement with the War Department claims board has been gone into by this committee to some extent, and I suppose you are here in that matter. I have been told that you are here voluntarily in order to make some suggestions to the committee about the matter in some ways. We will be glad to hear any statements you care to make about it.

I might, however, ask you, as I have these other witnesses—and I do not want you to take any personal offense at it—if you waive any immunity that might arise to you by virtue of your testifying in this matter.

Mr. STEIN. Just by way of correction, I want to say that I did not come on to make any suggestions to the committee. I came on to see what it was all about, because I had not been informed as to what it was. I saw something in the newspaper, and who ever gave the article out was grossly misinformed, and I thought as long as I had business in New York I would stop off here. I had not intended to come for several days, but I heard that this committee was in session, and thought I had better push my visit up a day or two and come on.

Mr. GRAHAM. Well, do you want to make any statements to us about it?

Mr. STEIN. Yes; I should like to.

Mr. GRAHAM. Well, I will repeat my inquiry: Do you waive any immunity that might accrue to you by virtue of your testimony?

Mr. STEIN. If you will just explain that to me, I will be glad to; possibly I do not understand it.

Mr. GRAHAM. There is a ruling of the Supreme Court, and it has been made on many occasions, as I understand it, that a witness who has testified before a congressional inquiry, immunizes himself. That is, it is impossible to prosecute him or his company thereafter on account of any supposed crime that might have arisen out of the transaction relative to which he testifies. Do you understand?

Mr. STEIN. I guess so.

Mr. GRAHAM. Therefore, before you make a statement, I want to know—and I am making no imputations or charges, and want you to understand that—but this committee does not want to do anything that will interfere with the Department of Justice in the future, and so we are asking witnesses who appear here on the stand, and I am now asking you if you are willing to waive any immunity?

Mr. STEIN. Absolutely.

Mr. GRAHAM. You may give any facts relative to this matter as to the allowance of this claim. We have gone into three claims that have been allowed. That of your company for cooks' chests, fireless cookers, and bread boxes. Anything pertaining to these matters that you may wish to say you may state now.

Mr. STEIN. The only information I have had on the investigation has been what I saw in the newspapers. I saw a little squib in a Chicago paper which stated that statements had been made that our company for 25 boxes and 66 cookers had received the sum of \$171,000. If this committee is working on that basis there has been a gross injustice done to everybody concerned and especially to us. That was not the settlement.

Mr. GRAHAM. Well, as a matter of fact, of course you can not tell much about the statements that are made. The committee has simply taken the statement of your claim as it was made and have copied it into the record. You will find the details of it in the record of our hearings, and the statement of your claim in detail has been outlined. The thing we have been trying to investigate is the salvage value of the materials that you took over, and especially the facilities that you had. These are the principal mooted questions.

Mr. STEIN. On November 11, 1918, when the armistice was signed, we were in production in a number of plants on various articles for the Government pertaining to food containers for rolling kitchens. When we noted the change in affairs we immediately wrote a letter to the zone supply officer, stating we thought that in the interests of everyone concerned we should cancel these three contracts, together with some others that were very slightly in production. They sent a man out to see us, and we agreed with them—in fact, they asked our opinion, and we agreed that anything that was not in production far enough so that it could be stopped ought to be stopped and the raw material kept in its original state, or in the state it was in at that time. That was agreed on, and we immediately chopped off on those contracts and let the material lie there. In fact, we moved the material out of our plant into another plant, which we saw at that time could only be used as a storage plant, because knocking a plant in the head in the matter of production gives a lot of space. We immediately reduced the factory overhead and production and finished up what we were instructed to finish up.

At that time these few boxes were made, that I stated a few minutes ago, and we asked the Government or the officials what procedure to take. They said in due course we would be informed. We proceeded absolutely as we were told to proceed at the time, and worked with the department, and finished up everything, I believe, up to 75 per cent or 80 per cent of what had been made. The material in question had all been cut to size. By that I mean the Government standardized these three articles, and in standardizing them

they issued allocation for this material to the various concerns, making these things in such sizes as it would be economical to make. In other words, the board at work in Washington many months standardizing these articles so arranged it that in the delivery of these raw materials they were all cut to size. I believe in the whole amount of material—that is, on the entire three claims—there are only two articles that are stock sizes to-day. They further delivered material, or insisted on these goods being made of material that was not universal market material. It was not universally used. For instance 20 tin coke plate, or 20-gauge tin plate, was almost an unknown quantity except for other purposes, but they insisted on having it for the stability of these things, because they wanted to carry water in these boxes, as well as bread. Twenty-gauge metal black sheets were furnished us by the War Industries Board and allocated to us by a concern whom we had not done business with at all—almost the farthest concern from our plant. In other words, we wanted to buy at Gary, Hammond, or East Chicago, where we could send out motors and bring it in, but it was allocated, for reasons best known to them, to eastern concerns.

Mr. GRAHAM. Whereabouts?

Mr. STEIN. Pittsburgh and thereabouts. In receiving this material we paid cash for it. We had a bank standing, and we referred the American Sheet & Tin Plate Co. to our bank, but they said: "That is all very well, but this is war time, and if the war should suddenly stop you could simply refuse to pay our invoices, and we would have trouble. A \$50,000 payment on this particular material will bring your material in"—which we did not hesitate to pay. We paid our bills in 10 days after receipt of invoices, not receipt of material, but of invoices. We piled up a lot of material which we could find no use for when the armistice was signed.

Now, in checking this material over for salvage values; for months the material was in our warehouses; for months we carried it; we paid the insurance on it, and we paid the upkeep on it, and we moved it from one factory to another in order to get our plant from a war to a peace basis, because we were 100 per cent on war products. And we were continually asking what should happen to this material. We could not make anything out of the material, as they had not settled as to its value. We could not sell the material, because it really did not belong to us. It was allocated to us by the Government for this purpose, and they had not told us what to do with it. It went along for a number of months until Washington sent a man out there. We took him to the factory and to the warehouse, and showed him our material, and he checked for a number of days in our office, checking every invoice we had received. He secured weights and sizes of material, and calculated that we were one-tenth of 1 inch off on 5,000 sheets. That, however, is simply stated to show you how technical he was. We finally agreed that we had all the material necessary for the completion of these contracts. Well, even then we were not at the time advised as to what to do with this material. They were simply checking it. This first man was from Washington. Later Chicago sent auditors out from both, I believe, the finance and purchase branches. They rechecked this material, and we again went through out files and showed them all

these invoices and rechecked and checked again, and finally agreed that our statement was correct, and we presented a statement.

About that time a ruling came from Washington which indicated that we had not figured our claim correctly and must figure according to certain circulars. We again went over the ground and figured the claims again, always giving way to everything the department wanted. We entered into the spirit of this manufacture to help win the war and to help out the situation; and then, the war being over, we wanted to wind it up just as quickly as we possibly could with the same idea in view, because we had two large factories which had been making commercial products, and we could not do anything in our factories until we had thoroughly worked out this raw material.

After we had presented a new claim the thing dragged along and Washington sent another officer out, and he came to us and wanted us to reduce our values. Well, then we started to investigate particularly what the market was, when we saw they really meant business to get rid of material. We found the market flooded with 18 and 20 gauge black. No one would buy it or make an offer. We instructed the stenographer in our office to look up all steel people, all the purchasers of steel and send out a circular letter. We had large quantities of various materials on hand and we were very anxious to get a bid on it. We received from all the circularizing I believe two answers, which were ridiculously low, and even then they wanted to pick the sheets according to the value in the market of stock only—not all the manufactured stuff.

In other words, if they could buy without any danger of having to carry it they were willing to make an offer on it, but nothing but stock sizes were they interested in. We showed the officer whom we asked to please come back on a future date all the answers on hand at that time. The officer indicated that he had an offer for this stuff, and it so happened it was the same concern I had been in touch with and who had absolutely refused to make an offer. I pressed them for an offer and they came to our warehouse again and came to the office, but said they could not make an offer as the president was out of town, and it was odd sizes, and they were not in a position to make an offer.

With reference to the tin plate, it was cut—in the first place I might say this, that I gather from just glancing over this book that the question of the quality of the tin plate was questioned.

Mr. GRAHAM. Yes, sir.

Mr. STEIN. And that we had delivered an inferior quality?

Mr. GRAHAM. In other words, you asked, apparently, for charcoal and you used coke.

Mr. STEIN. In answer to that I might say this: The tin plate was allocated to us by the War Industries Board and by the Division of Purchase, of boxes I think at that time, in the Hardware and Metals Division, but afterwards, General Supplies. They agreed among themselves that that was the material to use and notified the American Sheet & Tin Plate Co. as to the material.

Mr. GRAHAM. Who was this?

Mr. STEIN. The contracting officer, whoever purchased this material. I think you will find in our claims for bread boxes a letter to us which distinctly said that coke tin plate must be used. In

other words, we in every case deferred to the board of standardization.

Now, this letter was written to us on August 7, 1918, from the hardware and metals division to the Stein-Burn Camp & Field Equipment Co., 2420 West Twenty-first Street, Chicago—

Mr. GRAHAM (interposing). Just a moment.

Mr. STEIN. If you do not mind, I will read this.

Mr. GRAHAM. What is it?

Mr. STEIN. It is a letter that tells us what to use on these bread boxes.

Mr. GRAHAM. From the Government to you?

Mr. STEIN. Yes, sir.

Mr. GRAHAM. I think that is pertinent.

Mr. STEIN (reading):

This has reference to your letter of July 31.

Mr. GRAHAM. Did you give the date of it?

Mr. STEIN. Yes, sir; August 7.

Mr. GRAHAM. Proceed.

Mr. STEIN (reading):

2 The new specifications are as follows: Bread boxes are to be made of No. 20 U. S. gauge coke tin plate. Body is to be of two pieces, with two corners lapped and riveted. All soldering to be done with pure block tin. There is to be no lead in the solder. Bottom to be riveted to the body as specified on the print, and is then to be soldered with pure block tin. Bread box to conform to specifications and blue prints in all other respects.

W. A. GRAHAM.

Chief, Hardware and Metals Division.

By W. J. PECK.

Chief, Procurement Branch No. 3.

This was the type of instructions we were working on.

Mr. GRAHAM. That referred to the bread boxes?

Mr. STEIN. That referred to the bread boxes. Nothing was made of the tin plate but bread boxes. Now, I think that question will offset whether we were following instructions or not. No. 20 U. S. gauge coke tin plate. That is our invoice. The letter I have of Folsom shows that we bought it. And it is still in our basement, because we could not sell it or make anything of it. That settled exactly what was given us to use, and we settled exactly in answer to this letter.

Mr. GRAHAM. I notice in your settlement you settled for coke plate and took salvage value on coke plate, but the specifications required charcoal plate. That letter, if it was received after that agreement was entered into, after your contract was made, would seem to justify you in making the change, taking my judgment offhand.

Mr. STEIN. Mr. Chairman, there was no change made by us. We were allocated as to this matter. We had no choice as to the material or concern. I made a special effort to have this material allocated to a near-by factory, so that we could send for it. We happened to have dealings with the Inland Steel Co.; we sent out motors there every morning to get steel to run our factories. When this matter came up, pleaded to let us do the same thing again.

Mr. GRAHAM. Now, go ahead.

Mr. STEIN. We were overruled in that request, for the reason that the War Industries Board gave us that the tonnage was allocated

to each factory, and if they overran the Gary region they could not get along; and we took our medicine, which delayed us six or eight weeks on these contracts.

Mr. GRAHAM. Do you remember what companies you were required to get your sheet and tin plates from?

Mr. STEIN. The American Sheet & Tinplate Co.

Mr. GRAHAM. You got it through them.

Mr. STEIN. Yes; they subcontracted that to the Follansbee Co.; whether they are a subsidiary company to them I do not know.

Mr. GRAHAM. Ordinarily you would buy from the American Sheet & Tin Plate Co.?

Mr. STEIN. No, sir. When I say, "No, sir," I supplement that by saying we might have placed an order with them sometimes away back, but to make orders steadily, we did not. We placed our orders as near home as we could. For instance, the American Rolling Mill man came in, he was in our factory every day, and we would say, "Wash, can you give us 50 tons of that and 50 tons of this," and they naturally would give us a better delivery than the people from whom we bought an occasional car.

Mr. GRAHAM. Were you in the business of making fireless cookers prior to the war?

Mr. STEIN. This was strictly a war product and kept on up until—

Mr. GRAHAM (interposing). What is your business?

Mr. STEIN. We make fire windows and doors, hollow windows and doors.

Mr. GRAHAM. Did you ever make fireless cookers?

Mr. STEIN. The only time we ever were supposed to was for the Russian Government. We tried to make a rolling kitchen for the Russian Government. Seeing the industrial world turned upside down, and no commercial business in sight, we naturally leaned toward anything we could get to fill our shops, and we developed a rolling kitchen which contained a fireless cooker, so when the Government standardized their rolling kitchens they took our fireless cooker and made it of a different size, and it was the cooker that was standardized and placed in the liberty kitchens.

Mr. GRAHAM. Had you made any before that?

Mr. STEIN. Yes, sir; approximately 32,000.

Mr. GRAHAM. The same cooker?

Mr. STEIN. The same cooker exactly.

Mr. GRAHAM. Had you ever made any of these cooks' chests?

Mr. STEIN. Only for the Government.

Mr. GRAHAM. You had made some for them?

Mr. STEIN. Oh, yes; our total contracts and deliveries on cooks' chests, if I remember rightly, were about—we delivered about 13,000 or 14,000 to the Government.

Mr. GRAHAM. Had you made any bread boxes before this?

Mr. STEIN. Yes; from this very tin. And besides that in the meantime, when tin was not available, we appeared before the standardization board when Gen. Pershing was cabling for food containers, and told them we could possibly make a few thousand by making them in our shop of black sheet and retinning them in our shop, and we made approximately 2,000 to offset the demand that was in the wind at that time.

Mr. GRAHAM. Now, since the signing of the armistice have you made any more of these same articles for the Government?

Mr. STEIN. We finished everything that was 80 per cent. When I say 80 per cent we must make allowance because a mechanic's saying that it might be 78 per cent.

Mr. GRAHAM. Do you, after those, make any more?

Mr. STEIN. Only small parts.

Mr. GRAHAM. Not any new ones?

Mr. STEIN. No, sir; there is no demand.

Mr. GRAHAM. Are you making any more fireless cookers?

Mr. STEIN. No, sir.

Mr. GRAHAM. Are you making bread boxes?

Mr. STEIN. No, sir.

Mr. GRAHAM. What business are you in now?

Mr. STEIN. Fire window and door trim.

Mr. GRAHAM. Exclusively?

Mr. STEIN. We have made from time to time a metal meat box and a metal ice box; we are making in our various shops cafeteria supplies of steel, in order to keep our shop going.

Mr. GRAHAM. How many factories have you?

Mr. STEIN. We have two factories operating in Chicago on this particular type of work; during the war we had more.

Mr. GRAHAM. Boxes and windows and things of that kind?

Mr. STEIN. Primarily, they are metal window and trim shops. The strike has been on in Chicago and we have been trying to keep our men together.

Mr. GRAHAM. And making boxes out of metal?

Mr. STEIN. Yes, sir.

Mr. GRAHAM. Making cafeteria supplies and things of that kind?

Mr. STEIN. We are making cafeteria supplies now for Albert Pick & Co. We are also trying to make a box for the General Motors Co. and also for the stockyards companies, some steam ham cookers, all out of metal.

Mr. GRAHAM. Of course, these cafeteria supplies would be steam-table equipment?

Mr. STEIN. Yes; such as you see in the cafeterias.

Mr. GRAHAM. Of course, you use black sheets in making that stuff?

Mr. STEIN. Yes; they usually are, unless they specify enameled.

Mr. GRAHAM. Do you have a tin plate shop?

Mr. STEIN. Yes, sir.

Mr. GRAHAM. Did you have during the war?

Mr. STEIN. Yes, sir.

Mr. GRAHAM. Some idea of the magnitude of your business might be instructive; what is your annual output?

Mr. STEIN. It has varied a great deal.

Mr. GRAHAM. Since the war?

Mr. STEIN. Since the war there has been practically no building. For instance, in our Erie Street shop, we are running \$60,000 or \$70,000 a month, at 45 to 50 per cent capacity. In our Twenty-eighth and Wells shop we are running approximately \$20,000 a month; that would be high. We are running what we call cats and dogs, in there to keep the boys going, because there is practically no building in Chicago at the present time. However, we have figured on a large amount of windows and doors for the contractors. To give you an

idea of the types of jobs we have handled, we have furnished the Pennsylvania Freight Terminal Co. in Chicago, which the Government took over, over 3,000 windows; that was a tremendous job. We furnished the Boston store, which occupies a block in the heart of the city, all their windows and doors.

Mr. GRAHAM. Was this Camp and Field Equipment Co. organized for war purposes only?

Mr. STEIN. In 1915 we developed, as I said, a kitchen for the foreign Governments. One of those kitchens was sent to the border and Pershing saw it, and he immediately ordered one for his detachment; however, it was not developed for that purpose, and we immediately turned our attention to build one for foreign Governments, and in the meantime we became involved and we turned all our attention to this business. That company was organized at that time to handle a war product. In other words, our concern to-day on metal windows on Twenty-eighth Street is Nisely Bros., which has been in existence for 28 years.

Mr. GRAHAM. Is this little latch that has been shown to the committee one of those things which you manufactured [exhibiting to the witness latch produced by the witness. Mr. Schmuck]?

Mr. STEIN. That is a catch for the fireless cooker.

Mr. GRAHAM. Do you still use that on any equipment you make?

Mr. STEIN. No, sir. That, however, was developed in our factory. That was developed in our factory, and they adopted that with slight changes.

Mr. GRAHAM. And are they still using that?

Mr. STEIN. I believe they are, on their fireless cooker that was manufactured under standard specifications.

Mr. GRAHAM. And are still using those fireless cookers?

Mr. STEIN. I imagine so; they are still inquiring for spare parts, and I imagine they would use them until they are used up.

Mr. GRAHAM. Now, go ahead, Mr. Stein. I do not want to break into your story, but sometimes one can bring out these matters better by pertinent questions.

Mr. STEIN. Now, I say, as we have said in the past, we stand ready to aid this investigation. There is one thing very distasteful, putting your best efforts forward to assist, and then receiving unjust criticism for it. At one time, if the war had stopped, we had \$1,000,000 invested where we could not have saved it, probably.

And then to come along and it distinctly states in a Chicago paper:

The Stein-Burn Camp and Field Equipment Co., of Chicago, had a contract for 22,000 bread boxes, some cooks' chests, and fireless cookers. It delivered 7 bread boxes, 25 chests, and 66 fireless cookers, and put in a claim for \$216,502, in addition to the contract price for the goods delivered. It got \$171,687 in addition to full contract price for the goods delivered.

That does not tell the facts. I was in Washington on this very question, and the contracting officer, who I don't just remember exactly, because they kept changing, he said, "Can you make 5-gallon fireless cookers?" I said, "Yes; as well as a 10-gallon or a 15-gallon." He said, "How many can you make a day?" I said, "That is shooting pretty hard." He said, "Have you any materials on hand?" I said, "Yes." This was just before the allocation of metal. He said, "How many could you make?" I said, "Approximately 1,000 a day." He

said, "You are crazy." I said, "I am crazy enough to say that we can make a thousand a day." He said, "Suppose I gave you an order, could you make 5,000?" I said, "Absolutely." He said, "I am going to think that over." I went to the telephone and called up Chicago, and they said, "We have material, 26 and 28 gauge stuff"; and the result was that we made 10,000, because they called us up to say to increase the order from 5,000 to 10,000, because Pershing had wired that the troops were ready to go to the front-line trenches and there were no food containers. So we took our chances. We could not get a bill of lading, and I came to Washington before they were released, before the release was received in Chicago, and I took a photograph of the cookers and took it in to Col. Nicholson's office, and he said, "I would like to get a look at the man that furnished that photograph; that is the best production we have had yet." And we took that at the Government price. And I only took that, because I saw a copy of the cable from Gen. Pershing. I said, "If that is the case, we will bend every effort to do it."

Now, when we stand up and are ready to go to the front—some of our organizations are old men and could not go to the war—and when we do that, I consider at least the things that come out for public notice ought to be scanned before they go out. I am not laying any blame on the committee. I am saying that if you have the jurisdiction to have this thing settled, and I think the Senate committee ought to have the jurisdiction to know what goes into the public press.

Mr. GRAHAM. Nobody on earth has any authority to control what goes into the press. If you were in public life for a while, you would find that out.

Mr. JEFFERIS. I would like to get to the fact of this claim, and see what there is to it.

Mr. GRAHAM. This committee will examine the facts in this claim and make a report on it, and if you have anything further to tell us on the claim we would like to hear it.

Mr. STEIN. I just wanted to bring this to your attention, that these three claims would have brought our concern \$356,236 had we made the full quota of this claim; and I might further state that we could have run at least 40 days, and we had a tremendous production at that time of anywhere from 500 to 1,000 a day. We could have made them all. We voluntarily canceled this, which brought the claim down finally to \$171,687.06, which represented a saving to the Government of \$184,239 and some cents.

Mr. GRAHAM. Why?

Mr. STEIN. Because had they purchased the articles or had we gone on to the completion, they would not have been good for anything.

Mr. GRAHAM. Why not?

Mr. STEIN. Because they could not be used in anything else or for anything else.

Mr. GRAHAM. Well, they would have enough of the article?

Mr. STEIN. Yes; but they have enough of them, even if they had another war.

Mr. GRAHAM. How much did the Government pay you in cash?

Mr. STEIN. \$171,687.06 for the three.

Mr. GRAHAM. Now, you were complaining a moment ago, Mr. Stein——

Mr. STEIN (interposing). No.

Mr. GRAHAM. You were complaining of some statement that said that you furnished 66 fireless cookers, 7 bread boxes, and 25 cook's chests, and in addition to that pay it was charged that you had been paid \$171,687.06 more; that is true, isn't it?

Mr. STEIN. No, sir; that is not true.

Mr. GRAHAM. What did you get?

Mr. STEIN. We got that amount of money.

Mr. GRAHAM. Well, I am trying to find out how much money you did get?

Mr. STEIN. \$171,687.06 for the three claims.

Mr. GRAHAM. And you got the material?

Mr. STEIN. Yes, sir; we got the material.

Mr. GRAHAM. And the special facilities?

Mr. STEIN. No special facilities.

Mr. GRAHAM. None furnished.

Mr. STEIN. I don't think there was any in those claims.

Mr. GRAHAM. You got the material and that money?

Mr. STEIN. We got the difference between the value of the material there and the value of the purchased material. In other words, we laid out certain money to purchase this material; the board settled with us for the difference the present value of that material in its present state and what we paid for it.

Mr. GRAHAM. Well, that is a question whether they did or not; of course, that is a matter this committee will have to determine.

Mr. STEIN. Now, in doing that on our part we were guided absolutely by the Government.

Mr. GRAHAM. In what way, now?

Mr. STEIN. They came in and looked over our claims and investigated our claims and went out and investigated and looked over the values, and came back——

Mr. GRAHAM (interposing). Who did that?

Mr. STEIN. Every officer that made this investigation, and then came back and was satisfied that it was correct. Now, in the final settlement when it came to a showdown it was taken up with the salvage board in Washington and they agreed that one or two items should be a little stronger. I said, "All right, gentlemen; you know more than I do about salvage," and then we took that valuation.

Mr. GRAHAM. Who was it thought you ought to have more?

Mr. STEIN. Oh, no; the Government should have more. We could make our salvage a little stronger. In other words, we were asking in one instance \$25 for an article. They said, according to that—they had the magazines there showing the waste and the price on scrap and they said it should be \$27.50, and I said, "All right, make it \$27.50; I am not here for an argument, but for a settlement, and the quicker I can get back to a commercial basis the better." I was here in that spirit. And the board said they would not accept that, but when we took off a still larger amount, and that was left entirely to the board, and they said, "We will accept that as a final settlement for no other reason than to get it off the books." Now, so far as we were concerned we played the game absolutely as we were asked to play it and to sell.

Mr. GRAHAM. Have you sold any of this raw material that you had on hand then?

Mr. STEIN. If we sold any of it it is so small an item that I do not think you can find it in the—

Mr. GRAHAM. Have you used any of it?

Mr. STEIN. We have used a very small portion of it.

Mr. GRAHAM. About how much?

Mr. STEIN. I do not think 25 tons all told; angles and bars and so on: we have not used an ounce of tinplate. We have not been able to get anybody to allow us to submit even a sample. We have been manufacturing an automobile accessory, and it seemed to me this would be an excellent material for that, and they will not accept that: their engineers advise that they had better not accept it, for fear of crystallization, and kindred objections. We have every ounce of tin plate in our shop to-day. We have asked—needless to say, we have asked—this was in July, and this is almost October—and we have asked everybody we could possibly think of who could make anything out of tin plate to see if we could not get a bid on it, and I am perfectly frank to say I have not had an offer. We have tried to manufacture articles out of it. Here is a piece about as big as that [indicating], just about 12 by 14, and the largest is about 25 by 25, which is not a stock sheet. The sheets came to us in carloads. We had to move them across to our warehouses and they are standing there, where they are subject to the atmosphere, and we have not had the facilities to use that stuff. We asked them to give us the invoice price and let the Government salvage it; they told us that was not the way these settlements were made; we must allow a salvage for it.

Mr. GRAHAM. There wasn't anything to prevent you doing that?

Mr. STEIN. What?

Mr. GRAHAM. To let the Government take it?

Mr. STEIN. They would not do that; they would not take it.

Mr. GRAHAM. They could not help it.

Mr. STEIN. They would have left us for 16 or 18 months; it is 11 months now.

Mr. GRAHAM. You could have gone into the Court of Claims, couldn't you?

Mr. STEIN. That would have taken a mighty long time.

Mr. GRAHAM. Have you ever had any experience in the Court of Claims?

Mr. STEIN. No; but when I inquired and found that they were seven years behind, I thought I would rather take this than go into the Court of Claims!

Mr. GRAHAM. Who did you tell that to—that they refused?

Mr. STEIN. The first officer that came out there from Washington; I believe his name was Arp.

Mr. GRAHAM. Was he a captain or lieutenant?

Mr. STEIN. No; he was a civilian. He came there and spent three or four days measuring the piles of the material, to see that it was properly all there, and checking our bank account to see that we really had paid for it, and examining our invoices.

Mr. GRAHAM. Did you ever make that statement to any other Government official?

Mr. STEIN. I am sure I told the last board that handled the material; I am sure I did, that I would much rather if they would take the material and pay us the invoice plus the carrying charges and the interest on the money.

Mr. GRAHAM. Do you know who the members of that board were?

Mr. STEIN. Col. Goetz negotiated that claim with me, and I told Col. Goetz repeatedly to take this; I did not want it; to let us get back to normal; and the cry was that everybody is settling on this basis; and it finally resulted in the board making these salvage values. They approved it, and we agreed to their approval, and then we deducted a substantial amount over that. We charged no interest from May until August 1, which was on a large amount of money. I told him I would be willing to waive that in order not to have to rewrite the claims. And then he wanted to take off a large amount for overhead. I said, "All right, if that will settle it." I stand in the same position to-day, Mr. Graham.

Mr. GRAHAM. How much were the claims reduced from the first?

Mr. STEIN. That would be hard to say.

Mr. GRAHAM. They were three hundred and sixteen and some dollars at first?

Mr. STEIN. I do not remember. As a matter of fact, we drew these claims several times with each change in the Government methods, and each time they would allow less. In other words, they had many things in their first allowance, and they showed us where it could be made less, and we scratched it out.

Mr. GRAHAM. They were changed three or four times?

Mr. STEIN. Yes; however, I think we have copies in our office of all those claims, but I haven't them with me, and I do not trust to my memory on these things.

Mr. GRAHAM. There is something else I want to ask you about here: In one of your claims for fireless cookers, of which you made, I believe, 66, I believe there is a statement made that there are 302,670 pounds of spinning-stock scrap; what is spinning-stock scrap?

Mr. STEIN. The top and bottom of the fireless cooker is made in such a way that it has to be put on a lathe and spun in order to bend the ends around and catch the wall for insulation. In other words, this was a tight fireless cooker in order to keep the food hot on the same principle as a thermos bottle. These tops and bottoms had to be spun. We have in our basement to-day the tops for over 30,000 fireless cookers. Now, we tried to bundle them up the other day and sell it and the scrap man said, "If you bundle that you will not get your labor charge out of it." Capt. Benke saw them. I told him that he could not appreciate this claim until he saw it, and he made his time so that he came back, and before he inspected the material he was very strong for nothing except a great big salvage value on that very material, because some friends told him it was worth so and so much, and when he saw it he said, "I never had any idea it looked like that." In other words there are pieces there rounded out in this form [indicating].

Mr. GRAHAM. That is all indicated in your claim, isn't it?

Mr. STEIN. I think it is, but I don't think the average layman can appreciate what that means unless he had the thing explained as you have asked the question.

Mr. GRAHAM. But in your claim on partially computed stuff it is all set out. For instance, I find labor on spun parts completed: Seventeen insulated covers, 24,185 rims, 19,809 outside bottoms, and 22,175 inside bottoms: and then some labor on spun parts not completed for cover tops, and cover bottoms, and for blanks.

Mr. STEIN. That is the reason I said the statement is not true when it said we received this money for these few articles; there is the completed parts.

Mr. GRAHAM. The raw material, however, that is contained in your claim in the original condition of raw materials, as for instance, "net cost per invoice and on hand at suspension of contract: Eight hundred and ten thousand five hundred and fifty-three pounds 20 gauge, 36 by 120 and 36 by 108, black-sheet steel," and "357,175 pounds 20 gauge, 20 by 120 and 22 by 110, black-sheet steel," and so on, giving a long list materials on hand; and again "99,924 pounds band iron, 14 by 2 inches," and "22,323 pounds rod iron, $\frac{3}{4}$ -inch round," and so on: those are the raw materials in their original conditions and as specified in the claims.

Mr. STEIN. When you say original condition you mean the condition that they were sent to us in?

Mr. GRAHAM. Yes.

Mr. STEIN. They were, being cut to size.

Mr. GRAHAM. Cut to those sizes?

Mr. STEIN. Yes, sir.

Mr. GRAHAM. In other words, the 36 by 120 and the 36 by 108 of the band iron and some 20 $\frac{1}{2}$ by 122 $\frac{1}{2}$, and so on, but the parts that are junk, if you may call them that, the spun parts completed and the spun parts uncompleted, and the other material upon which you have worked, and upon which actual labor has been done. I am right about that, am I not?

Mr. STEIN. They are in the condition that they were shipped to us, except the natural deterioration that they have sustained in the past 11 months.

Mr. GRAHAM. All right, sir.

Mr. STEIN. Now, at the time of the settling of this claim 20-gauge and 18-gauge material and all the rest of those sizes were a drug on the market, because no one at that date would offer anything for that material.

Mr. GRAHAM. What is the trouble about that, Mr. Stein? There is a conflict in the evidence on that. Some men who have appeared before us have not agreed with you on that. That is your contention, is it?

Mr. STEIN. It is my contention, when I couldn't get rid of it. I offered this to the officer who called on us. I said: "Sell the material: the difference between the price you give for it and the price we want for it belongs to the Government, or give me our invoice price. I would much rather that you give me the invoice price and send this away and sell it." He did not say no until they had investigated that there was no market for that material.

Mr. GRAHAM. That is what they reported to you?

Mr. STEIN. That is a fact.

Mr. GRAHAM. How do you know?

Mr. STEIN. I know it from this viewpoint, that the officer came back and tried to make a trade.

Mr. GRAHAM. That was Arp you speak of?

Mr. STEIN. No, sir; this was an officer from Washington; Arp was a civilian. I said: "You bring me a bona fide offer; I will bill it." And that officer never came. It just happened that we did business with this concern, and I just found out by chance this firm was dealing with them, and I asked them to take the material off our hands.

Mr. GRAHAM. Did the officer tell you that he was dealing with them?

Mr. STEIN. No, sir; but when I came to Washington I told him the same people that he was dealing with would not make any offer. They came to our factory and looked at it and never made us an offer.

Mr. GRAHAM. Have you any further statement to make about this?

Mr. STEIN. There is only one other statement that I wish to make, and that is this—that is, that the amount of money which your copies show is not the full amount. This claim was dated May 11. We negotiated that claim in July—the 24th or the 26th, I believe. This involved quite a lot of money, quite a large investment, and the Government ruled that we were entitled to interest on that money. Our claims, as you have them, only show the matter of interest up to May 11, and we waived in each case—for instance, we waived on the cooks' chests an additional amount of \$235.78 interest, and we waived the carrying charges. We also waived on the bread boxes—no, I beg pardon; that is \$1,764.97. On the fireless cookers we waived \$1,406.60 in addition to the allowances that your claims show.

In other words, we did not rewrite them but told Col. Goetz we would concede that to get the claims out of the way; I did not want to come back here again; I would like to settle them up, if possible. And I would like to state that it was not a very easy settlement. Col. Goetz did not feel disposed to settle it, and finally agreed on a price. After the Government had put the salvage price on, he added an amount, and then we waived those amounts here, so that that claim as it is written up does not show the total amount of salvage which we allowed.

Now, I might further state that that letter which I read with reference to the bread boxes, that letter is attested to, and is a part of the claim which we filed with the Government, so that copy of that letter should be in your files or in the claims board files. I read that from my copy of the claim—the letter specifying that coke tin plate.

Mr. GRAHAM. Bread boxes, you say?

Mr. STEIN. Yes, sir.

Mr. GRAHAM. Well, I don't think we have it.

Mr. STEIN. I don't know whether you have the same copy I have. I have it in the file, you see.

Mr. GRAHAM. You say that is in the bread-box claim?

Mr. STEIN. Yes, sir; in the original claim which we filed on bread boxes. We attached to that copies of various documents which we had substantiating all points in that claim and that should be in your files; a copy was left with the department at the time.

Now, I have invoices which I would like to have you see, Mr. Graham.

Mr. GRAHAM. What are they about?

Mr. STEIN. Just simply to show the dealing on the coke tin plate. This invoice [handing paper to Mr. Graham] quotes American coke, you see; it does not say anything about charcoal.

Mr. GRAHAM. I understand; there has been no charge in your claim for charcoal?

Mr. STEIN. No.

Mr. GRAHAM. But the specifications, without the letter you speak of, state very plainly charcoal plate?

Mr. STEIN. Those specifications were never received by us, for the reason that those contracts were held in the office, and when the armistice was signed they never send them out, and we never saw the specifications appended to that contract.

Mr. GRAHAM. There is absolutely nothing in these papers that have been sent to us by the War Department at our request indicating in any way any letter from the department changing these specifications.

Well, I want to ask you something else I had forgotten: 97.44 tons of coke, at \$42 per ton; what shape is that in?

Mr. STEIN. Some is ground, and some is very fine, and it is in sacks.

Mr. GRAHAM. What is it used for ordinarily?

Mr. STEIN. For insulating these fireless cookers.

Mr. GRAHAM. Is it used for insulating ordinary fireless cookers, such as are used in a home?

Mr. STEIN. I hardly think so. They usually use felt or hair.

Mr. GRAHAM. What else is it used for?

Mr. STEIN. We tried to use it for insulating these cooling devices, such as you have there [indicating water cooler] and we could not get our invoices at the time. I have a letter—I think I have it—stating we were allowed 50 per cent and this cork was at that time away below that value; to-day they will not give that. In other words, they allowed \$22.50 and I can buy it to-day for \$16.50; I can buy from Armstrong, one of the biggest cork people in Chicago, to-day for that, because I had occasion to get a price from him for the General Motors Co., who we were trying to insulate a box for, and I got this only last week, and at the time this settlement was made there was no inquiry for it.

Now, I would like to introduce these two telegrams.

Mr. GRAHAM. What are they about?

Mr. STEIN. With reference to the way we received our material from the board.

Mr. GRAHAM. Well, I don't see any necessity for those telegrams. I do not see how they help or throw any light on it. You might show them to these other gentlemen, and if they have a different view they can express it. There has been no point raised about where you should get your tin plate.

Mr. STEIN. The point was raised that we were trying to palm off cheaper material.

Mr. GRAHAM. You have already answered that by showing this letter. If you have an additional statement to make in regard to that, state it into the record, what the situation was.

Mr. STEIN. The tin plate that was used for bread boxes was allocated to us by the Government after the Standardization Board had decided the kind of material that the bread boxes were to be

made of. We had no jurisdiction where to order this material, nor did we have jurisdiction over the specifications of the material. We received this material, made bread boxes from it, and the salvage which is left is still in our possession in original packages just as it came from the steel mills.

Mr. GRAHAM. Does that complete your statement?

Mr. STEIN. And we have only settled on our claim for the material that was purchased for this purpose.

Mr. GRAHAM. Mr. Jefferis, do you want to ask him any questions?

Mr. JEFFERIS. As I understand you, Mr. Stein, you in these three claims have received \$171,687.06, have you?

Mr. STEIN. I believe that is the figure, sir.

Mr. JEFFERIS. You also received or retained all of the material that you had bought for the making of all these things in all the contracts?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. What did the material cost you?

Mr. STEIN. In order to give you that I would have to go over some lengthy figuring, and take the claims out. I could not say offhand just the gross amount, but I believe your record will show exactly, because we have listed it according to the material in each case. The invoice price and the totals.

Mr. JEFFERIS. Most of it cost 5 or 6 cents a pound, didn't it?

Mr. STEIN. It ranged, I believe, from 4 to 5 something on the black sheets; channels, angles, were a little less.

Mr. JEFFERIS. Well, how about the steel?

Mr. STEIN. Well, those are the black sheets I refer to.

Mr. JEFFERIS. The tin plate cost you about how much?

Mr. STEIN. The tin plate—in order to give you that, the tin plate must be figured to the shipping points. The tin plate costs \$6.15, and from there to \$6.50 a hundred pounds.

Mr. JEFFERIS. Well, you retained that at a salvage value of about a cent and a quarter, did you?

Mr. STEIN. If I remember rightly we retained that at \$31 per ton, and to that must be added—

Mr. JEFFERIS (interposing). Well, how much is that a pound?

Mr. STEIN. That would be some over—almost a cent and three-quarters—between a cent and a half and a cent and three-quarters a pound.

Mr. JEFFERIS. In other words, all of this material was retained by you in this settlement at about 20 per cent, wasn't it, of the cost value?

Mr. STEIN. No; I don't think they were.

Mr. JEFFERIS. Well, most of them were.

Mr. STEIN. Your statements will show exactly the amounts with the exception of the final cut and the amount that I have given you a few minutes ago which should be figured right down to the particular claim.

Mr. JEFFERIS. Well, we will get this first claim and get down to something. It shows it was 190,800 pounds of black sheet steel, and band iron, making up an item of 250,454 pounds. The price of that, as I get it from your statement ranged from \$3.82 to \$6.07

a hundred pounds. I notice you retained it at a cent and a quarter a pound.

Mr. STEIN. No; that was raised considerably in the final settlement.

Mr. JEFFERIS. I wish you would give me now what you claim even if it does take some figuring; what was the cost of this material?

Mr. STEIN. I can not give it to you, because the final settlement was made in such a way that I do not know where to put it to.

Mr. JEFFERIS. Would you give me the amounts——

Mr. STEIN (interposing). I can give you the amounts——

Mr. JEFFERIS (interposing). Would you give me the amounts that you received separately on each claim, totaling the \$171,687.06?

Mr. STEIN. \$14,130.51.

Mr. JEFFERIS. What was that on?

Mr. STEIN. Claim for cooks' chests. Now, from that claim must be deducted an interest charge of \$235.76, which we waived.

Mr. JEFFERIS. I know; but you did not receive that then; you received \$14,130.15 in settlement of the cooks' chests?

Mr. STEIN. Yes.

Mr. JEFFERIS. Never mind what is waived. Now, what did you receive on the other claims?

Mr. STEIN. On the bread boxes we received \$48,647.62.

Mr. JEFFERIS. \$48,647.62 for the bread boxes?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. And on the other claim?

Mr. STEIN. On the third claim, the fireless cooker claim, we received \$108,908.93.

Mr. JEFFERIS. Well, now, can't you tell us there what was the cost of the material in the fireless cooker contract?

Mr. STEIN. There is a lot of detail work connected with telling you that. I do not believe I can with these figures I have here, sir.

Mr. JEFFERIS. Well, all of those claims, the \$14,000 claim, and the \$48,000 claim, and the \$108,000 claim, were claims that you figured out based on the depreciation of raw material; is that it?

Mr. STEIN. And the amount of labor——

Mr. JEFFERIS (interposing). You got paid for that, didn't you?

Mr. STEIN. Yes; supposed to; it is all this claim, sir. And the labor that we put on the partly finished materials, was in this claim, and the handling charges and the interest paid to May 11, on the amount of money involved is in this claim. The difference in value at the time the claim was settled and the original purchase prices.

Mr. JEFFERIS. Well, I notice under the head of these black round-head rivets, you settled for 25 per cent of the cost?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. And the cork, 50 per cent of the cost.

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. And the 66 fireless cookers you got paid for?

Mr. STEIN. We delivered those.

Mr. JEFFERIS. Yes.

Mr. STEIN. They are not in this settlement, you understand. This settlement included the finished article.

Mr. JEFFERIS. I notice here, "Foregoing material retained by contractor, 250,254 pounds of iron, at \$0.0125 per pound, \$3,130.68. That material cost you \$12,006.44.

Mr. STEIN. Does it enumerate the articles there?

Mr. JEFFERIS. Yes, sir.

Mr. STEIN. I can tell you here if you tell me the claim.

Mr. JEFFERIS. I don't know the claim.

Mr. STEIN. All the round iron was cut up in sizes for the boxes. In other words, we bought it in 20-foot lengths and cut it into foot lengths to go on the boxes. There are only two sheets in the whole outfit that are stock sizes. In other words, a man that buys that buys it for scrap. You can not make any material out of it.

Mr. JEFFERIS. "26 by 118 black sheet steel," what does that mean?

Mr. STEIN. It means they were 26 by 118.

Mr. JEFFERIS. Inches?

Mr. STEIN. Yes; and it took that many sheets to make that amount.

Mr. JEFFERIS. Were they still in that shape?

Mr. STEIN. Some of them; and some were cut in small pieces.

Mr. JEFFERIS. You mean 26 by 118?

Mr. STEIN. Some of them are still.

Mr. JEFFERIS. Were they that size before you cut them up?

Mr. STEIN. Yes, sir; when they were received.

Mr. JEFFERIS. And others are 31 by 116 inches?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. And others 23 by 90 inches?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. Now, did you cut them up or not?

Mr. STEIN. The greater portion of those—I think you are working on cooks' chests there, aren't you?

Mr. JEFFERIS. I don't know.

Mr. STEIN. The fireless cookers and the cooks' chests, the greater portion was cut up. In other words, we have enough material now to make 35,000 fireless cookers cut up. In the original stage, as they were when we received them, we would have quit and would not have put any more labor on them.

Mr. JEFFERIS. What are these 3,975 wood racks, they cost \$2,544; what is that for?

Mr. STEIN. That is a stick of maple approximately an inch and a quarter square, and is bored into holes which leaves a shell of from a quarter to one-eighth inch on the outside, to hold the various receptacles that the cooks' chests were to contain. This is a stick of wood about 30 inches long. We realized that was something we could not get anything out of. That is wood that ultimately will probably go into your furnace and be burned, and they are still on hand where they were.

Mr. JEFFERIS. I notice 993.75 feet of chain at 3 cents a foot; what is that chain?

Mr. STEIN. The chain was used for holding the snap for keeping the box closed, instead of a hook. Each box was equipped with a chain 8 or 10 inches long with a harness snap on instead of a hook.

Mr. JEFFERIS. And you claim that most of this stock was cut up?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. Into sizes?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. And you did that after it reached the factory?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. Then the claim don't show for it in the original sheet form?

Mr. STEIN. No; it showed the amount of material necessary to make these different articles. In other words, you could not get at it any other way than to say in order to make the standardized fireless cooker it took so many sides and shelves, and this material was all cut from the metal.

Mr. JEFFERIS. I notice here items of 26 by 112 and 26 by 118 black sheet steel. Was that all cut up?

Mr. STEIN. All of the steel that was left was all the items that could be sold as original stock, and we recently had an inquiry, since the steel strike, on the particular items; and those were the things that everybody that came in said "If it was all like that we would make you an offer." And the rest, seems to be useless, unless they could find something for that particular size of material.

Mr. JEFFERIS. Parts of your purchase, wasn't it, as shown here: \$10,553 pounds of 20-gauge, 30 by 120, and 36 by 180; and 357,175 pounds of 20-gauge, 20 by 120 and 22 by 110 black sheet steel, that cost you \$5.82 per hundred, and then 430,169 pounds of 20-gauge of a little different size. that cost you \$5.27 per hundred; and so on down?

Mr. STEIN. You see, the difference is not specified; we bought in stock sizes and then cut it up.

Mr. JEFFERIS. Well, were those cut up or not?

Mr. STEIN. Some of them; I should say some of them—I was going to tell you the contract that they were all cut up for, but I am not positive.

Mr. JEFFERIS. And your labor item is, I see here in these figures, is put at what?

Mr. STEIN. In which claim, Mr. Jefferis?

Mr. JEFFERIS. The second one, or the third one; \$23,000, is it? Did you have that much labor in this?

Mr. STEIN. Yes; we had that much labor on spun parts alone; on one item.

Mr. JEFFERIS. What do you include in that term "handling and overhead on 974.5 tons of steel material at \$5 per ton"; do you charge that much for handling it?

Mr. STEIN. That amount was arrived at by getting the reputable steel houses in Chicago to give us their fair value of what they considered handling and overhead on steel sheets and parts and so on. And that was agreed to by the Washington representative that first came—at \$5 a ton to be allowed.

Mr. JEFFERIS. That would include interest and all, wouldn't it?

Mr. STEIN. No; that was just the handling and overhead on the sheets.

Mr. JEFFERIS. What would be included in the handling?

Mr. STEIN. No; the things would not be—

Mr. JEFFERIS (interposing). I say, what would be included?

Mr. STEIN. The unloading of it, and the handling of it, and the getting it out of the way, and the carrying charge exclusive of the—

Mr. JEFFERIS (interposing). What do you mean by carrying charge?

Mr. STEIN. Insurance.

Mr. JEFFERIS. Did you insure it?

Mr. STEIN. Yes, sir.

Mr. JEFFERIS. Did you think it would burn up?

Mr. STEIN. I knew if there was a fire in that factory, it would be no good, especially if the fire was centered in that part of the factory; it would buckle up like a sheet of paper.

Mr. JEFFERIS. Then if you keep it for a long time, it would cost you as much as it did originally?

Mr. STEIN. This is only \$5 a ton.

Mr. JEFFERIS. Did it cost you that much?

Mr. STEIN. It would cost more than that. In other words, we handled 974.5 tons of steel at \$5 a ton, \$4,872.50.

Mr. JEFFERIS. Don't you have to manufacture this stuff into that you have cut up for cookers, anything for sale?

Mr. STEIN. Since this settlement was made we have endeavored to make this into some articles for this reason: There is a building strike in Chicago, and we could not make our regular products, and we have had two men on the street all the time trying to get some contracts, or something to make out of this stuff, some article to manufacture, but it is too heavy, or it is not cut in the right size, or there is so much of it that if a man wants 200 or 300 articles, it does not make a dent in it. We have gone so far as to try to sell to the General Motors Co., but we have never had an order, a feeler, so far as an order is concerned. As I said before, we tried to make cafeteria sinks out of it, and they won't allow us to make it except out of 26 or 28 gauge stuff, which is very light. This is very heavy.

Mr. GARRETT. Mr. Stein, I hand you here what purports to be a brief of facts, filed in support of your claim, and ask you to examine page 25 of this brief and state whether or not that is a copy of the letter which you read into the record some time ago touching the specifications of the character of tin plate that you were instructed to use in this manufactured article?

Mr. STEIN. It think it is.

Mr. GARRETT. You have stated that this material was allocated to you from the War Industries Board, or by the War Industries Board. I will ask you to examine page 40 and state whether or not that is a copy of the letter received by your company?

Mr. STEIN. I think it is; yes.

Mr. JEFFERIS. Will you just read the substance of that into the record?

Mr. STEIN. I just wish to correct one statement; I said by the Government, and I corrected myself when I stated the War Industries Board. The War Industries Board ruled after a certain period of time, after the Hardware and Metals Division allocated the stuff to us, and said it would have to be made of a certain type, and that it would be allocated from the American Sheet and Tin Plate Co., so they wrote this letter saying:

SEPTEMBER 6, 1918.

From: Hardware and Metals Division.

To: Stein-Burn Camp & Field Equipment Co., Chicago, Ill.

Subject: Allocation Q-141.

1. This office has this day forwarded allocation No. Q-141 to the American Sheet & Tin Plate Co. for bars and sheets as per inclosed copy.

2. This allocation has been authorized by the commodity committee to the American Sheet & Tin Plate Co., instead of the Empire Rolling Mills Co. as per original allocation, dated August 26.

3. You are requested to communicate with the American Sheet & Tin Plate Co., giving specifications of orders, and if you encounter any difficulty in obtaining deliveries to complete this contract you are requested to advise this office at once.

By authority of the acting quartermaster general.

WM. A. GRAHAM,
Chief, Hardware and Metals Division.

By H. F. MURPHY,
Second Lieutenant, Quartermaster Corps.

Mr. GARRETT. Now, at page 31 of this brief I find a letter signed by the War Industries Board, per James W. Hitchcock, addressed to the American Sheet & Tin Plate Co.; I will ask you if you received a copy of that letter; if a copy of that letter was sent to you?

Mr. STEIN. I think it was; yes, sir.

Mr. GARRETT. Will you read the body of this letter into the record?

Mr. STEIN (reading):

OCTOBER 21, 1918.

AMERICAN SHEET & TIN PLATE CO.

Frick Building, Pittsburgh, Pa.

GENTLEMEN: We are informed by Stein-Burn Camp & Field Equipment Co., 130 Westminister Building, Chicago, that they have placed with you order covering 97,150 pieces of 20-gauge coke tin plate.

This material is urgently required for the manufacture of bread boxes, cooks' chests, fireless cookers, etc., for shipment to Expeditionary Forces; and you are hereby authorized to proceed with the manufacture at the earliest possible moment.

Please advise when you expect to place this tin in transit.

Very truly, yours,

WAR INDUSTRIES BOARD,
JAMES W. HITCHCOCK,
Assistant to Chief in Charge of Tin.

Mr. GARRETT. That is all; I just thought that ought to be put in to complete the record.

Mr. GRAHAM. Just one or two more questions I want to ask you: I have made a computation of the material as shown by your three claims of the raw material purchased by you of various kinds; I have figured that you purchased raw materials to do this work totaling \$177,975.98. Do you know whether that computation is right?

Mr. STEIN. I do not, sir.

Mr. GRAHAM. Well, totaling the amounts shown on each for the materials in your three claims, that is what they aggregate. Now, in addition I find that you have expended for labor \$23,518.86 on those three claims. Now, you received \$171,687.06 on the claims; you received within \$6,000, then, as much as the material cost you, didn't you?

Mr. STEIN. No, sir.

Mr. GRAHAM. Why didn't you?

Mr. STEIN. That material was purchased a year prior to the time that this claim—approximately a year prior to the time that this claim was settled and paid for.

Mr. GRAHAM. But I am speaking of the first cost.

Mr. STEIN. To that must be added all the subsequent costs.

Mr. GRAHAM. I am speaking of the first cost.

Mr. STEIN. Assuming that your figures are correct—

Mr. GRAHAM (interposing). Yes.

Mr. STEIN. I would say yes; I have nothing to substantiate that.

Mr. GRAHAM. The figures are here; you can figure it yourself; I think I have computed them properly; that the amount paid you on this was within \$6,000 or \$7,000 of the first cost of the raw materials; and now, in addition to that, you got all the raw materials and the finished product; that is, partly finished. You contend that was a fair settlement, do you?

Mr. STEIN. I contend that that was a very fair settlement for the Government.

Mr. GRAHAM. But nonfair for you?

Mr. STEIN. Well, if we continue, Mr. Chairman, to proceed along the lines we have, I would say yes; because we have got an ungodly lot of stuff that can not be used for a darned thing that I can find, and we have—I have tried to find—I have tried to find it. We have estimators and engineers, and they go out constantly to get these windows, and they have been trying to sell this stuff. Now, since the steel strike has been on we have had several inquiries for part of this stuff from the people who sold it to us, and that is along the line of our settlement; that is, if we sell it we will not realize our salvage values. Now, no one is more anxious to realize money than we are, because we have a lot of it tied up there.

Mr. GRAHAM. I assume you are willing to sell that at \$4 a ton?

Mr. STEIN. The scrap was \$8 a ton.

Mr. GRAHAM. Are you willing to sell your sheet metal at a cent and a quarter a pound?

Mr. STEIN. We allowed more than that.

Mr. GRAHAM. How much?

Mr. STEIN. The figures which the salvage board placed on it.

Mr. GRAHAM. How much did that make?

Mr. STEIN. I tried to figure it and put it in the record; I haven't it here now.

Mr. GRAHAM. I assume you are ready to sell these black round-head rivets for 25 per cent of what they cost?

Mr. STEIN. Yes; I would be glad to. Now the supply man that sold us a good many of those materials has gone all over it; naturally, he is trying to buy as cheap as he can.

Mr. GRAHAM. I tell you, if you send your man into Philadelphia or Baltimore to sell to the witnesses who have testified before this committee, you would sell it.

Mr. STEIN. I am on my way to New York now, and I have an arrangement with a man there that wants some of that stuff.

Mr. GRAHAM. We have testimony before this committee that that stuff is worth more than it cost.

Mr. STEIN. Well, I think in order to determine that the material must be seen. Take rivets that have been standing in open kegs and in open pans, such as we had in our shop, for six months; they do not sell well; they are not in the same shape as when they were new; they are rusty. The man that takes them and tumbles them and oils them up and gets them ready to use again has got to spend 25 per cent to bring them to the original state.

Mr. GRAHAM. Where have you had them all this time?

Mr. STEIN. In our factory. In other words, we were not allowed to do a thing until the Government told us whether they would take

them or whether we would have to keep them. And the claims came through and they told us to keep them. Now, had they told us to sell this stuff, that would have been different. We can use some in our product, but not that much. We have used some of the chain; we got the architect to change the specifications and specify the chain in the pulley weights, and tried to use it up.

The cork is in the original package in our basement. We tried to sell it a number of times, but the cork is way below what we paid for.

We have the rivets, and had the supply man come in; and we have tried to sell them and can not move them. You must realize that every factory was working for war products, and everybody was loaded up. If any man takes it, he will say, "We will take it as scrap and try to use it up."

Mr. GRAHAM. Yes; I think that was the effort of every manufacturer.

Mr. JEFFERIS. We will get a lot of stuff cheaper soon for the general public.

Mr. STEIN. We have tried to use it in boxes of this type, of file boxes [indicating filing cabinet] and for work for the General Motors Co. They said it is too light.

Mr. GRAHAM. Are you reducing your prices on the products you get out?

Mr. STEIN. You mean on windows and doors?

Mr. GRAHAM. Yes.

Mr. STEIN. No, sir.

Mr. GRAHAM. It has gone up?

Mr. STEIN. The situation is such that the builder is making his prices but he can not get it.

Mr. GRAHAM. The price has gone up?

Mr. STEIN. What has gone up?

Mr. GRAHAM. The windows and doors?

Mr. STEIN. We are getting less than we did two years ago. We got approximately \$8.50 and we get \$8 to-day.

Mr. GRAHAM. What about the boxes for the cafeterias, has that price increased on those?

Mr. STEIN. We have never made those before. Our labor is higher: our labor is considerably higher.

Mr. GRAHAM. How does it happen that all you gentlemen who are doing contract business in settling with the Government contend that this stuff is not worth anything but junk, and when an ordinary common person goes into the market to buy anything, from a coal shovel to a locomotive, it is worth twice as much as it was before the war? If you have this stuff on hand, why don't you use it and reduce the price?

Mr. STEIN. I can only answer that in this way: The Government is controlling in every branch—the Navy and the Quartermaster—and we have bought stamping steel at \$34 and \$35 a ton that cost the Government 8 and 9 cents a pound—

Mr. GRAHAM (interposing). Do you think that answers the question?

Mr. STEIN. I think so. And when we go to that expert for steel—and he has been in the salvage department of the Government—

that man has been there, probably, during the entire war—he says: “Why don’t you raise the salvage values?” I say, “What is the value?” He pulls out the journals and the latest works and tells me, “That is the price on that to-day.” “How much on this particular stuff?” He looks up the sizes, and I say, “If they are paying that, Mr. Warren, I would be willing to pay that amount.” Don’t you think we have been going as far as we could to concede every request, or should we say, “No; I can get 1 cent a pound more in six months from now,” and hold it?

Mr. GRAHAM. Do you say that this responsibility, whether the settlement is just or unjust—that the responsibility does not rest on you, but the salvage value was fixed by the Government? That is your statement, is it?

Mr. STEIN. That is substantially the statement; and had the Government shown us that we should pay twice the amount of salvage or shown to us, as they did on the salvage board, that that was the price, we would agree that was the price, but I contended right along I did not want the material. I brought the point up; I did not want the material. “Why not settle this up and you keep it?” They said: “That is out of the question; the settlement is on the basis that you are to keep the material. Now, if you refuse to keep the material we can not settle beyond this.” Put yourself in the position of the manufacturer who has \$250,000 worth of material, that has to be paid for before it came in, and which is worth almost nothing to settle.

Mr. GRAHAM. What did you take these contracts for, for pure patriotism or to make money?

Mr. STEIN. No, sir; we took them, firstly, because we wanted to develop something that we had partially developed for another country, had it about ready, and we took it on for the United States Government when it became involved. Secondly, we had 300 men that we wanted to keep busy. These men had been idle for months, some of them on full pay, and we said if we did not have anything else we can keep these shops going, and then the situation got serious, and the Government came to us and said, “Can you make this or that or something else?” and we increased that until we had 1,200 men working.

Now, I want to say this, it depends on this that you could not—

Mr. GRAHAM (interposing). You only made 66 cookers?

Mr. STEIN. I beg pardon.

Mr. GRAHAM. On this order; the Government got nothing on these particular contracts that amounts to anything. Now, then, you got this material; you can use it in your business to advantage. Why, you may profit largely, and in any event, you have not lost a great deal because you have got back almost as much as the raw material cost you.

Mr. STEIN. There are very few concerns that can carry on the nature of a business we are carrying for the contractor and then carry a burden of this kind in cash.

Mr. GRAHAM. If my figuring is correct, this burden from your claims here, it is not more than \$25,000; that is, what you paid out for labor.

Mr. STEIN. It amounts to more than that.

Mr. GRAHAM. You figure it for yourself. After the money you got back you haven't more than \$35,000, including overhead and handling; from my figures.

Mr. STEIN. It appears to me more than that from the figures in my office.

Mr. GRAHAM. Well, I think we will adjourn. That is all you wanted to say?

Mr. STEIN. There isn't anything you wanted me to stay here for?

Mr. GRAHAM. No.

Mr. STEIN. I want to say this: I will assist in any way possible, if I am not beyond reach. I thank you very much.

(And thereupon, at 6.45 o'clock p. m., the committee adjourned until Wednesday, October 1, 1919, at 10 o'clock a. m.)

The following hearings relative to Benicia Arsenal, Calif., were had by Subcommittee No. 1 (Aviation), which subcommittee was then taking testimony in the Pacific coast States, at the request of Subcommittee No. 5 (Ordnance), and are now here included in the printed hearings of said Subcommittee No. 5.

BENICIA ARSENAL, CALIF.,
September 15, 1919.

The subcommittee met at 3.30 o'clock p. m. at the office of the commandant, Benicia Arsenal, Calif., Hon. James A. Frear (chairman) presiding.

Also present, Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF COL. E. P. O'HERN.

(The witness was sworn by Mr. Frear.)

Mr. LEA. What is your relation to the work of Benicia Arsenal?

Col. O'HERN. I am the commanding officer of the arsenal.

Mr. LEA. What department of the Army are you in?

Col. O'HERN. The Ordnance Department, United States Army.

Mr. LEA. How long have you been in command here?

Col. O'HERN. Since March 11, 1919.

Mr. LEA. How long have you been in the military service of the United States?

Col. O'HERN. Since graduation from the United States Military Academy at West Point in June, 1894.

Mr. LEA. And what experience, in a general way, have you had in the military service of the United States?

Col. O'HERN. I had six years of service in the Artillery; three of that in the Field Artillery, and three in the Coast Artillery, going through the Spanish-American War as a lieutenant of Artillery. Since that time I have been an officer of the Ordnance Department of the Army. I have had service in Washington, in the Bureau of Ordnance in charge of gun and ammunition matters; service at the gun factory at Watervliet Arsenal, N. Y.

Upon the outbreak of the war I was ordered to duty in Washington, where I had charge of the gun and ammunition design work, until January, 1918, when I was ordered to France in charge at the general headquarters and on the staff of Gen. Pershing as chief ordnance officer of the First Army during the American operations.

Mr. LEA. You were in that service at the conclusion of the war?

Col. O'HERN. At the conclusion of the war; yes, sir.

Mr. LEA. Are you acquainted with the history of this arsenal?

Col. O'HERN. Reasonably so.

Mr. LEA. When was it established?

Col. O'HERN. About 1860.

Mr. LEA. And what, in brief, has been its history?

Col. O'HERN. It was established as a supply depot for the troops on the Pacific coast. It has continued as a supply depot for those troops, and has also developed into something of a supply depot for our insular possessions—that is, Hawaii and the Philippine Islands, and we have been supplying from here some of the troops in the Siberian expedition. Beyond its function as a supply depot, it has developed to a limited extent as a manufacturing establishment in connection with upkeep of the armament of the coast defenses on the Pacific coast and the upkeep of the mobile artillery in the hands of the troops in this vicinity. It has at present perhaps \$10,000,000 worth of supplies in storage, and we are doing a small amount of manufacturing work. This comprises chiefly the manufacture of cast-iron projectiles for seacoast target practice, the manufacture of cartridge bags, for putting up the smokeless powder charges for the seacoast cannon, and the repair and overhauling of small arms, and horse equipment from the camps and posts in the Western Department. We have at the present time a very limited number of enlisted men—about 16—and about 135 civilian employees.

Mr. LEA. What is the acreage owned by the Government in connection with the arsenal?

Col. O'HERN. Approximately 339 acres.

Mr. LEA. That land has been owned for many years, has it?

Col. O'HERN. It has for a great many years, since the establishment of the arsenal, so far as I know.

Mr. LEA. What is the distance from here to Mare Island?

Col. O'HERN. Between 7 and 8 miles.

Mr. LEA. And how deep is the water, so far as water transportation is concerned?

Col. O'HERN. We have a channel from San Francisco to this arsenal with a present depth of 35 feet, so I am informed by the Navy officials. The distance is about 30 miles. We are frequently shipping by barge from here to San Francisco, sending supplies to go aboard transports or other ships.

Mr. LEA. And, of course, can reach any point on the San Francisco Bay in connection with the water?

Col. O'HERN. We can.

Mr. LEA. What is the extent of the property otherwise owned by the Government besides the land?

Col. O'HERN. Besides the land there are improvements with a present valuation which I would estimate at approximately \$2,000,000. The official valuation recorded in the War Department record is somewhat under that because of the method which was used in checking the original cost and charging off a fixed percentage per year. That does not apply very accurately, in my opinion, to a plant of this kind, where the plant is kept up from year to year.

Mr. LEA. Of what do those properties consist?

Col. O'HERN. A machine shop of brick, fair sized, two story; storehouses of brick and of reinforced concrete, two story; in all five main storehouses; magazines suitable for the storage of ammunition and high explosives, and various buildings of common utility, such as office, stables, officers' quarters, enlisted men's barracks and buildings of minor importance.

Mr. LEA. What is the opportunity for expansion here if desired at the present time?

Col. O'HERN. There is much unoccupied land at the present time, some of it close to the railroad, newly filled in land, that is entirely practicable for building purposes, although the foundations for structures would be fairly expensive. Beyond that there is high land on which we are about to erect a storehouse, and to which we are about to build an extension of the railroad. We found it entirely practicable to extend the track without great cost, to the high land, which throws open a considerable area—several hundred acres.

Mr. LEA. With what railroad is the arsenal connected?

Col. O'HERN. We are on the main line of the Southern Pacific Railroad and not far away across the bay is the Santa Fe system.

Mr. LEA. You have immediate connection across the bay here on the Southern Pacific line?

Col. O'HERN. Yes; we have.

Mr. LEA. What can you say as to the location of the arsenal with reference to the labor supply?

Col. O'HERN. We have had no difficulty in securing the labor needed thus far. Within a radius of 30 miles there is a population of about a million and a half. The private enterprises have been extending beyond us up the bay, they run daily trains from Oakland and San Francisco, and they seem to find no difficulty in meeting their wants as regards labor, and we think the situation is reasonably satisfactory.

Mr. LEA. About what is the population of Benicia?

Col. O'HERN. About 3,300 to 3,500.

Mr. LEA. What are the nearest points of labor supply?

Col. O'HERN. Vallejo, 8 miles away, has about 20,000 people. Some of our clerks come from Richmond, and some from Oakland, daily.

Mr. LEA. Oakland is the largest point of supply of labor, is it?

Col. O'HERN. It is the largest.

Mr. LEA. What conveniences are there for transportation of labor to this arsenal?

Col. O'HERN. A train on the Southern Pacific Railroad delivers them at our station, called Army Point, within 300 yards of the office buildings. The train also stops in the afternoon to take them home.

Mr. LEA. How conveniently does the train schedule meet the needs of the labor supply?

Col. O'HERN. Not very conveniently, I would say, at the present time; but I think it could be arranged.

Mr. LEA. Is there any regular means of transportation from here to Vallejo?

Col. O'HERN. There is a bus line from Benicia to Vallejo, where they take men for the round trip on the monthly basis at the rate of \$6 a month. That is quite convenient.

Mr. LEA. Have you anything to show the comparative cost of production here with that of other arsenals in the country?

Col. O'HERN. Nothing worth while as far as concerns ordnance supplies. We have produced some cast iron projectiles, but on a small scale, utilizing our machinists when they were not occupied on armament repair, which is their primary work. We have gone far enough to say that in the production of these projectiles in that

way our cost is practically the same as the cost of manufacture in large quantities in the East, plus the freight cost of shipping them to the coast. We can put them down here at about the same cost as they can be put down when manufactured in much larger quantities in the East.

Mr. LEA. How about the accessibility of raw materials from this location; that is, such raw materials as are ordinarily used in the manufacture of munitions and armament supplies?

Col. O'HERN. I am not very well qualified to state on that matter. I do know some points. For instance, there is a large plant for the making of steel castings that has been established at Pittsburgh close at hand.

Mr. LEA. What distance is that from here?

Col. O'HERN. About 18 miles from here. Our castings for projectiles we have been buying in San Francisco, where there is a very large establishment, so I am informed; a plant from which we procure them. The navy yard has been able to get all classes of material. As you know, practically all classes of materials in the way of metals are used in the manufacture of ships. They have been getting those materials. I do not know the exact source.

Mr. LEA. What is the source of the copper supply here?

Col. O'HERN. There is a copper smelter, a large capacity smelter, within sight of the arsenal. I do not know whether they produce copper in other than pig form.

Mr. LEA. From the material standpoint, what is your judgment as to the suitability of this location for an arsenal, or what facts would you suggest to bear upon that question?

Col. O'HERN. As a supply point for the Pacific coast and as a supply point for shipment beyond the Pacific coast and along the Pacific coast by water, I think the location is an ideal one. It is far enough from the sea to be practically immune from attack unless the entire San Francisco region was first occupied. It has the water shipping facilities and the rail shipping facilities to a very desirable degree. A similar remark will apply to its use as a repair place for the repair and upkeep of artillery and, for example, the relining of seacoast guns.

Mr. LEA. Have you any facilities for the relining and the rifling of high explosive guns?

Col. O'HERN. We have none.

Mr. LEA. How about the opportunity for doing that work here?

Col. O'HERN. The present outlook would seem to be that the guns in the coast defenses will require relining in order to restore them to serviceability. As far as I am aware, there are no facilities on the Pacific coast for that work.

Mr. LEA. Can you give us any information as to what the expense of transporting those guns to the eastern factories and return would be, compared to the expense of doing that work here?

Col. O'HERN. I made a recent inquiry as to the rate of transportation of guns to the Watervliet Arsenal and learned it was \$2.82 per hundred each way. A rough computation indicates that it would cost between \$400,000 and \$500,000 for the freight on the guns now mounted on the Pacific coast, if sent to the Watervliet Arsenal and returned to the coast.

Mr. LEA. For freight alone?

Col. O'HERN. For freight alone. I presume the cost of sending them to this arsenal would be perhaps 10 per cent of that amount.

Mr. LEA. For freight?

Col. O'HERN. Yes.

Mr. LEA. Are you able to give any reliable approximate estimate as to the difference in cost of performing the work after they arrive here, compared with eastern factories?

Col. O'HERN. If we had the equipment, I would say that the labor cost would be under, rather than over, the eastern cost, for the reason that we have cheaper power here. We pay a cent and a half per kilowatt hour, and I remember when I left Watervliet Arsenal in April, 1917, we were paying nearly 2 cents, between a cent and three-quarters and 2 cents, depending upon the amount used. We have another advantage here, in that there is practically no cost for the heating of the buildings. That was one of our big items at Watervliet Arsenal. During the period of four to six months of that very cold climate, it cost a great deal to heat these immense, high shops that are required for the handling of the big forges.

Mr. LEA. About what is the minimum degree of temperature here?

Col. O'HERN. Something in the vicinity of freezing.

Mr. LEA. And about what is your maximum temperature?

Col. O'HERN. In the vicinity of 90.

Mr. LEA. What are the labor conditions here from the weather standpoint, as to the temperature and winds?

Col. O'HERN. I should say it is the best laboring climate in the world, in my experience.

Mr. LEA. How is it for dust and smoke?

Col. O'HERN. We have not suffered here from dust or smoke. The highways are macadamized and concreted.

Mr. LEA. Do you know approximately what percentage of the available mobile artillery is in storage here, or in the hands of the Army on the Pacific coast, and the troops on the Pacific coast?

Col. O'HERN. My information is not necessarily accurate, but I think we have about 2 per cent in storage here and about 2 per cent more in the hands of the troops on the Pacific coast.

Mr. LEA. What would be the cost of providing sufficient storage facilities here to take care of the artillery on the Pacific coast?

Col. O'HERN. We are providing storage for all we have here at a cost of about \$150,000, including the railroad spur to connect up with the storage facilities.

Mr. LEA. What, if any, provision has been made for storing the machines that the members of the committee have seen exposed to the weather to-day—I mean the artillery?

Col. O'HERN. A building is about to be erected.

Mr. LEA. What as to the tractors?

Col. O'HERN. That material will all be taken care of in the building we are about to erect, which has already been provided for.

Mr. LEA. About the cost of providing a relining plant and a rifling plant, can you give any idea as to what the expense of that would be?

Col. O'HERN. My estimate would be approximately \$500,000 for a suitable building, and approximately the same amount for equipment. I think, however, that there may be equipment on hand—salvage—that can be kept in storage for possible future use. I do not know as to that.

Mr. LEA. How careful has your attention to that estimate been?

Col. O'HERN. Not very careful. It has simply been from my experience in the Watervliet Arsenal and the gun-making works. It naturally would be a question as to the capacity of the plant. We could put in a fair plant for a million dollars.

Mr. LEA. Suppose such a plant were established, what would be required in additional land?

Col. O'HERN. No additional land for such a plant as that.

Mr. LEA. If additional land is required for any purpose, it is available?

Col. O'HERN. In my opinion suitable land is available, and from the inquiries which I have made I think it can be bought at a cost of from \$150 to \$200 per acre immediately adjoining the reservation, high land well suited for any manufacturing or storage purpose.

Mr. LEA. How much of a water front have you here that is available for building or dockage purposes?

Col. O'HERN. Roughly, half a mile.

Mr. LEA. If the plant was established for manufacturing component parts of artillery ammunition, or an assembling plant, how much would such a plant cost; that is, for manufacturing parts and an assembling plant?

Col. O'HERN. That would be so dependent upon the capacity of the plant that it is difficult to answer it categorically, but a good sized plant could be put in, I will say, for \$2,000,000.

Mr. LEA. What is your water supply here?

Col. O'HERN. During about six months of the year, roughly from January to July, we are able to procure unlimited quantities of good water from the Carquinez Strait, fresh water. During the remainder of the year we draw upon the reservoir supplies we have accumulated, and beyond that buy water from the Benicia Water Co. We have sufficient water at the moment, but there is not sufficient for any great extension.

Mr. LEA. What is the opportunity for securing the necessary amount?

Col. O'HERN. We submitted a detailed estimate some months ago for bringing water across the Strait of Carquinez; at an estimated cost of \$55,000 we could get a fair supply of water with a 6-inch main.

Mr. LEA. Would that require a pumping plant?

Col. O'HERN. Nothing beyond our present equipment. We have a pump that can be connected up.

Mr. LEA. Do you pump from the river or from wells?

Col. O'HERN. From wells on the other side of the strait, where they can get water, but there are facilities to get water from wells on this side; but there is another project under way and probably which will develop favorably, and that is to get water from the Sacramento River and deliver it to the Mare Island Navy Yard. We could make a connection with that system at a moderate cost, and it would give us unlimited quantities of water for practical purposes.

Mr. LEA. Did you ever give any consideration to the necessity or advisability of an arsenal on the Pacific coast from the standpoint of the interference with transportation from the East in case of war emergency?

Col. O'HERN. I have.

Mr. LEA. What do you know and think about that?

Col. O'HERN. It is a well-known fact that the transportation lines from the coast across the Rockies and the Sierras could be temporarily put out of action, or even put out for a considerable period, without great difficulty.

Mr. LEA. By what means?

Col. O'HERN. By the destruction of culverts or bridges. That leads to the conclusion that there should be a reasonable amount of war material stored on the coast to meet that chance of interruption of supplies.

Mr. LEA. And that would mean either in a raw state or in the finished product?

Col. O'HERN. One or the other.

Mr. LEA. Is there any other information that you care to give the committee at this time along these lines, that you think we ought to know?

Col. O'HERN. I think not.

Mr. LEA. I think that is all.

Mr. MAGEE. Is this fresh water in the bay?

Col. O'HERN. It is fresh water for six months. While the inflow from the Sacramento River and San Joaquin River is sufficiently great to overcome the salt water coming from the sea, we have the fresh water. As the flow from the rivers decreases, the salt water line of demarcation slowly advances, and about the 1st of July we have to stop pumping out of the bay. You can get salt water after that for fire purposes, but it is not satisfactory for other purposes.

Mr. MAGEE. Where is the nearest arsenal on the coast to this one?

Col. O'HERN. Rock Island Arsenal is the nearest one.

Mr. MAGEE. Do you know what the distance is?

Col. O'HERN. Approximately 2,000 miles.

Mr. MAGEE. I think you spoke about some advantages so far as San Francisco is concerned. What about the advantages toward Sacramento?

Col. O'HERN. Advantages as regards the location of an arsenal?

Mr. MAGEE. Yes.

Col. O'HERN. Sacramento would have a slight advantage in being a bit farther from the coast, but it would seem to me that if the Mare Island Navy Yard was captured and this arsenal was captured, that a farther advance would be comparatively easy farther inland.

Mr. MAGEE. What appropriation was made this last year for this arsenal?

Col. O'HERN. About \$50,000; but in addition to the appropriation that was made, we had allotments from other general appropriations that were applicable to our purposes. Those allotments have been used in the construction of the store houses.

Mr. MAGEE. You mean that those allotments have been applicable only during the period of the war?

Col. O'HERN. No. The appropriations from which we got most of our allotments were continuing appropriations.

Mr. MAGEE. What has been the average of your appropriations for the last 10 years?

Col. O'HERN. The average expenditures for some years have been something like \$140,000.

Mr. MAGEE. A year?

Col. O'HERN. A year. But I will say that during the past year we have disbursed more money than that, because we have been making payments on contracts made by the War Department with the Standard Oil Co. of California, or attendant facilities, for the manufacture of toluol needed for high-explosive manufacture, and payments to the General Petroleum Corporation for similar purposes, and other payments.

Mr. MAGEE. When were the barracks abandoned?

Col. O'HERN. They were abandoned when the First Infantry left for the Spanish-American War. They have since been used for short periods by the Signal Corps and by guard companies during the war, but they are now entirely abandoned.

Mr. MAGEE. Have you a wireless plant here?

Col. O'HERN. No.

Mr. MAGEE. Did you formerly get larger appropriations, or have they been diminished?

Col. O'HERN. They have been increasing rather than diminishing. I should say they have given us more, by far, in the last year than ever before in a like period.

Mr. MAGEE. Well, now, the Government, as I understand, owns the acreage which you have mentioned?

Col. O'HERN. Yes.

Mr. MAGEE. And has owned it for a number of years?

Col. O'HERN. Yes.

Mr. MAGEE. I think you said the arsenal was established here in the fifties?

Col. O'HERN. Yes.

Mr. MAGEE. What I was getting at was, what appears to be the matter. Has there been any decision that it was not the proper place for an arsenal, or why has it not grown; or has some policy been determined on one way or the other, if you know anything about it?

Col. O'HERN. I think it has not been developed further as a storage place because there has not been a great need for it; until we developed across the Pacific there was not need for much in the way of supplies on the Pacific coast, and the same remark will apply to the manufacturing that developed. We know the Pacific coast has not been a manufacturing center. It seems to be developing now along that line; but the arsenal, in common with the Pacific coast, had difficulty in getting raw materials suitable for metal-manufacturing work. Now, on account of the Panama Canal, the situation has changed somewhat.

Mr. MAGEE. You have a long coast line?

Col. O'HERN. Yes.

Mr. LEA. What is the coast line of the three States?

Col. O'HERN. About 1,500 to 2,000 miles.

Mr. MAGEE. What recommendation would you make and what is the estimate of the appropriations that you would deem reasonable to carry out that recommendation?

Col. O'HERN. Any statement I would make, it must be understood, is merely my personal view, in answer to your question, because the War Department has indicated that there were two reasons why this place should not be largely developed. One was that they have the necessary manufacturing facilities elsewhere and they thought the

expense of duplicating here would not be justified. The other reason was that this was not a manufacturing section of the country from which the production of supplies could be expected in time of war, and therefore there was no need for developing this arsenal as a center of construction for manufactures in ordnance work. So the War Department is on record in that line.

It is my personal view that there should be greater storage of war supplies on or near the Pacific coast, and that this is one logical place for that storage to be made. They will need supplies at other centers, particularly, as has been suggested, a little farther east, perhaps, where they can shoot the supplies over to the north or to the south or to the center of the coast line; but on account of our water and wind facilities here I think this is a natural place for a considerable storage of supplies, artillery ammunition, for example, and more artillery than we have here. Another line of development I would think justified would be to put up some additional buildings and put into those buildings some of the machinery that is now elsewhere in storage, and be prepared to make repairs on a more extensive scale than they can do now, and take care of all these guns on the coast when they need relining, and take care of the mobile artillery. These are the two lines of development. I would put in more magazines for the storage of ammunition, of which we have practically none at present except small-arms ammunition. The putting in of magazines would mean the buying of additional land, because they must be separated over quite a territory, and that land can be acquired here, which would be entirely suitable, at a moderate cost. As regards the total expenditures that ought to be made on this arsenal—

Mr. MAGEE. But your idea would be to make a storage and repair plant?

Col. O'HERN. Yes; rather than a manufacturing plant. We might put in an ammunition assembling plant, to put together components, but I do not think we are in a position to go into manufacture as such on a large scale.

Mr. LEA. Would that be true as to small arms and ammunition?

Col. O'HERN. Not equally true, because of the character of the work and the fact that we have lead here, which is one of the principal components of ammunition, and we have the Hercules Powder Co., which could make us the powder, and there would be more justification for putting in a small-arms plant than the artillery or artillery ammunition.

Mr. LEA. How expensive would a practicable plant for small arms and ammunition be?

Col. O'HERN. With the machinery on hand, \$500,000 would put in a very reasonable plant.

Mr. LEA. There is a Mr. Reugers who intended to testify, but, if agreeable to the committee, I would suggest that we let Mr. Reugers insert a statement and forward it for our record.

Mr. FREAR. I think that would be agreeable, but I was wondering whether the statement should be incorporated in this testimony or be treated as an exhibit.

Mr. LEA. I understand it is in reference to the availability of raw materials.

Mr. FREAR. Is that a part of the main examination?

Mr. LEA. No; it is for another committee.

Mr. FREAR. All right; that will be satisfactory, then.

Mr. LEA. Mr. Reugers said he would like to furnish this map [indicating] as an exhibit, so I suggest that he send that along with his report.

Mr. FREAR. All right. Colonel, there is no arsenal or receiving point for ammunition between Panama and Alaska except this one?

Col. O'HERN. There is none except this arsenal.

Mr. FREAR. There is none for the Philippines or any of the insular possessions?

Col. O'HERN. There is not.

Mr. FREAR. What does the navy yard undertake to carry on; do they confine it to the Navy entirely?

Col. O'HERN. They confine it to the Navy.

Mr. FREAR. Nothing for the Army?

Col. O'HERN. Nothing for the Army.

Mr. FREAR. This post is about 70 years old?

Col. O'HERN. About that.

Mr. FREAR. And this building in which we now are holding the hearing is 50 years old?

Col. O'HERN. Yes.

Mr. FREAR. As Mr. Magee has drawn out, there has been no addition practically to the plant, and your recommendation is that something should be done to make it of value, in view of conditions that exist upon the coast for several thousand miles. There would be no means of getting any ammunition in here or getting any supplies whatsoever if the passes to the east should be shut off, unless the supply should come around by sea?

Col. O'HERN. Yes.

Mr. FREAR. I think we understand the situation very clearly, and we thank you for your testimony.

Mr. MAGEE. I suggest that in Mr. Reugers's statement there be itemized appropriations made and the purpose for which they were made, since the United States entered the war, and showing the expenditures made.

Mr. FREAR. I think that would be desirable, and I believe also the statement ought to show the raw material that is needed—coal or iron or steel—which can be gotten close at hand.

Col. O'HERN. All right.

(The witness was excused.)

(The statements above referred to are copied in the record, as follows:)

BENICIA ARSENAL.

BENICIA, CALIF., *September 29, 1919.*

HON. JAMES A. FREAR, M. C.,

Washington, D. C.

DEAR SIR: 1. In compliance with your request at the time of the recent visit to this arsenal of your subcommittee of the Select Committee to Investigate the War Department Activities, the following detailed information is furnished concerning the possible sources of raw materials in the general vicinity of this arsenal.

2. There has been established for approximately 11 years at Pittsburg, Calif., distant from this arsenal approximately 12 miles by water and 18 miles by rail, a highly successful steel casting plant—the Columbia Steel Co. The following information was furnished me by an official of the company during my recent visit to the plant, and is believed to be entirely reliable. This plant has, within the past few years, furnished large quantities of important steel

castings to the Navy Department, including 66 sets of castings for torpedo-boat destroyers and 4 sets of castings for battleship parts, work on the last-mentioned order being still in progress. The battleship parts include very large and complicated castings, such as a rudder post, weighing approximately 34 tons. Three of these sets of castings are designed for battleships under construction in eastern yards. It was stated that turbine castings were being furnished at 19 cents per pound, and hull castings at 16 cents per pound. It was further stated that these prices are approximately 2 cents per pound less than those under awards made in the East for similar materials. This plant is engaged on another important order for a Government department in the manufacture of 4,000 tons of anchors for the Emergency Fleet Corporation.

3. This plant employs at present approximately 600 men, and is producing approximately 700 tons of castings per month. During at least a part of last year the plant employed approximately 900 men and produced approximately 1,500 tons of castings per month.

4. The plant equipment includes both acid and basic open-hearth furnaces, comprising one 10-ton and two 25-ton types. Oil fuel, which is abundant and cheap in this locality, is used as the melting agent. Scrap steel and iron materials obtainable on the Pacific coast are the principal raw materials utilized.

5. There is now under erection at this plant a rolling mill of 100-ton capacity per day per shift. In the immediate future this will roll bars up to 3 inches in diameter, but the limit is soon expected to be increased to 8 inches.

6. There is transmitted herewith a photograph of this plant as it exists at present. The principal buildings have the following dimensions: Main foundry, 60 feet by 600 feet; auxiliary building, 60 feet by 380 feet; furnace building, 45 feet by 520 feet.

7. The general manager of the Columbia Steel Co. furnished the following information in reference to steel-forging plants in this vicinity:

The Edwin Forest Co., of Oakland, has a 500 or 800 ton press with sufficient capacity to break down ingots up to 36 inches in diameter.

The American Forging Co., of San Francisco, and the Pennington Forging Co., of San Francisco, both have large-capacity hammer equipment. The Columbia Steel Co. has furnished these plants 30-inch ingots to be forged into 11 and 14 inch shafts.

The Union Iron Works, Moore Shipbuilding Co., and the various other shipyards on San Francisco Bay have hammer equipment of more or less importance.

8. As regards possible sources for procurement of lead, the American Smelting & Refining Co. has a plant—the Selby Smelting Works—at Selby, approximately 5 miles by rail or water from this arsenal. During a recent visit to that plant the following information was obtained from one of the officials:

9. This plant was established in 1879 and has approximately 350 employees. It produces approximately 3,000 tons of lead per month. This is said to be of the highest quality, approximately 99.97 per cent pure. It produces both pig lead and sheet lead. The plant includes facilities for the manufacture of shot for shotgun ammunition and facilities for loading and assembling this ammunition into the completed form. The same company has a factory in San Francisco, in which are manufactured all the types of lead products, such as pipe and buttons, solder, Babbitt metal, etc.

10. In as far as concerns possible sources of supply for copper, the Anaconda Co. at Butte, Mont., is undoubtedly one of the largest producers in the world. We are informed that this company now produces all the usual forms of copper, such as rods, bars, sheets, etc. There is established within 3 miles by water and 10 miles by rail a copper smelter—the Mountain Copper Co. (Ltd.)—having an approximately capacity of 400 tons of blister copper per month. This plant is not now producing refined copper, although it formerly did so. It was stated that the product is being shipped East for refining, but that this work would be undoubtedly resumed in case of sufficient demand for refined copper.

11. In as far as concerns the sources of supply for zinc, it is well known that a number of plants in both Idaho and Montana are large producers of this material.

12. The nearest source of supply for iron ores and pig iron on a large scale, in as far as we have been able to learn, are the mines of the Colorado Fuel & Iron Co. As previously indicated in the case of the Columbia Steel Co., considerable quantities of high-grade steel can be made from scrap materials originating on the Pacific coast.

13. As regards possible sources of supply for high explosives, the Hercules Powder Co. has a large plant at Hercules, Calif., approximately 15 miles by rail or water from this arsenal. I am informed by an official of the company that this plant has a monthly capacity of approximately 500,000 pounds of black powder and approximately 3,000,000 pounds of dynamite. It has considerable capacity for the manufacture of sulphuric acid and nitric acid, useful in connection with manufacture of smokeless powder and military high explosives other than dynamite, such as trinitrotoluol.

14. Some of the largest possible sources of supply for toluol for use in the manufacture of the important military explosive trinitrotoluol are found in the large oil-refining plants on the Pacific coast, such as the Standard Oil Co. plant at Point Richmond, within 20 miles by rail or water from this arsenal, and the General Petroleum Corporation plant at Los Angeles. During the war period the Government made contracts with both the foregoing companies for the installation of very extensive facilities for the securing of toluol. During the same period the Hercules Powder Co. erected for the Government at Glant, Calif., not far from Hercules, what is said to have been the largest trinitrotoluol manufacturing plant in the United States, it having a capacity of 6,000,000 pounds per month.

15. A copy of this letter is being furnished the Hon. Clarence F. Lea, of your committee, and also to the Hon. C. F. Curry, the Representative from this district.

Respectfully,

E. P. O'HERN,
Colonel, Ordnance Department, United States Army,
Commanding.

MEMORANDUM OF BENICIA ARSENAL ACTIVITIES.

1. Benicia Arsenal was founded about 1850 as a supply depot for the military activities of the western posts. Its supply facilities have been gradually increased, and the manufacturing facilities have been developed to the extent needed for the upkeep of the armament mounted on the Pacific coast. It is now a supply depot for all troops west of the Rocky Mountains, including Alaska, and is a storage and shipping point for supplies going to the forces in Siberia and to the garrisons in the Hawaiian Islands and in the Philippine Islands.

2. The manufacturing equipment is sufficient for making the smaller parts and for making repairs to larger parts pertaining to mobile armament in the hands of troops, and to the seacoast armament mounted in fortifications on the Pacific coast. We are not equipped to do such work as the relining of guns or to manufacture castings or make forgings of any considerable size.

3. In addition to the storage of artillery, machine guns, small arms, and general supplies and equipment needed for the service, we have in storage limited quantities of ammunition and high explosive.

4. The more important items which are manufactured at this arsenal comprise parts needed for the repair of seacoast and mobile armament, targets used for small arms and seacoast target practice, and a limited number of cast-iron projectiles used in seacoast target practice. The castings for the projectile work are purchased from a firm in San Francisco.

5. The manufacturing work at Benicia Arsenal has not been sufficient to give a satisfactory comparison of manufacturing costs with those in eastern arsenals. The few cast iron projectiles manufactured from time to time have cost slightly more than the eastern manufacturing cost plus the freight charge for the completed projectile. This work has, however, been done on such a small scale as to increase the cost of the work.

6. The total disbursements during the last fiscal year—that is, the one ending June 30, 1919—were \$4,247,055. The greater part of these disbursements comprised payments made on contracts made by the War Department with the Standard Oil Co. of California and the General Petroleum Corporation for the providing of facilities for the production of toluol for high explosive manufacture. The total weight of stores handled in incoming and outgoing freight during the same fiscal year amounted to approximately 30,500,000 pounds.

7. The general extent of the work being done at this arsenal is indicated by the fact that there are 135 civilian employees; these are sub-divided into approximately 50 shop employees, and 85 storehouse employees, clerks and out-

side employees concerned in the receipt, storage and shipment of stores and supplies.

8. The Government own approximately 338.7 acres of land. Practically all of it is utilisable for road and building construction work.

9. The general location of the arsenal as regards its serviceability for Government needs is believed to be excellent. This conclusion is based on the fact that we are on the main line of the Southern Pacific Railroad and are approximately 30 miles from San Francisco by water, with a channel of sufficient depth to accommodate ocean-going steamers of large size. The United States Coast and Geodetic Survey charts indicate that we have approximately 40 feet of water within less than 100 feet from the end of our arsenal wharf. The presence of the Mare Island Navy Yard, at a distance of approximately 7 miles, is an added asset in the ability to interchange facilities.

10. The present estimated value of the plant is between \$2,000,000 and \$3,000,000. It is estimated that additional land outside for workshops or storehouses can be procured in the vicinity at a cost of from \$150 to \$200 per acre.

11. The Benicia Arsenal is sufficiently far from the coast line to be thoroughly protected against an attack by hostile ships unless the San Francisco Harbor has been captured and occupied and the channel cleared from mines as far north as San Pablo Bay. It may be said that Benicia Arsenal would not be occupied by an enemy unless the entire line of defense protecting San Francisco had been broken and the Mare Island Navy Yard had been captured.

12. Benicia Arsenal has thus far had no difficulty in readily procuring all necessary labor. Within a radius of 30 miles there is a population of approximately 1,250,000 people, thus affording an ample labor market.

13. There has been such development of the manufacturing industries in this immediate vicinity and on the shores of San Francisco Harbor that manufacturing materials of practically all classes can now be readily obtained. Prices are, in general, higher than in eastern markets, but probably not as high as eastern cost plus freight charges.

14. The present water supply is not adequate for a large manufacturing extension. A project has, however, been developed for supplying water to the Mare Island Navy Yard, which project will doubtless be installed and will readily lend itself to supplying unlimited quantities to the Benicia Arsenal at the estimated low rate of 17 cents per thousand gallons. Under this project the water will be taken from the Sacramento River at a point above Rio Vista.

BENICIA ARSENAL, CALIF., *September 16, 1919.*

BENICIA, CALIF., *October 1, 1919.*

Statement submitted by Mr. Theodore Rueger, a citizen of Benicia, Calif., who has been actively interested in the development of the Benicia Arsenal for the past seven years, in response to request of the chairman of Subcommittee No. 1 of the Select Committee on Expenditures in the War Department.

The Secretary of War reported on H. R. 2310, "plants must be located where labor, raw materials, and transportation are available in ample quantities. Under present conditions Benicia Arsenal is not believed to have these advantages."

Labor.—There were constructed during the late war on this coast 53 per cent of the ships laid down. To have done this there must have been an ample labor market.

Raw material.—Copper: The major portion of the copper produced in the United States comes from Montana, Colorado, New Mexico, Arizona, Nevada, Utah, Washington, and California. In fact, there is a large copper smelter within 1 mile of Benicia Arsenal. The Anaconda Co., in Montana, along in 1917 produced 253,508,332 pounds of copper, of this amount 132,089,914 pounds were rolled into sheets or drawn into wire at their Great Falls plant.

Zinc: The Anaconda Co. during 1917 also produced in excess of 50,500,000 pounds of the highest-grade zinc.

Tin: The world's greatest supply of tin comes from Java, which finds entrance into the United States through the Pacific ports.

Lead and hardening metals: The Selby Smelter of the Smelter Securities Co. is within 6 miles of Benicia Arsenal. They are the largest producers of lead on the coast.

Steel: The Columbia Steel Co. at Pittsburg, Calif., within 12 miles by water of Benicia Arsenal. They are producing steel in competition with the eastern market. This company is building a mill and will be in a position to supply steel in any form.

Powder: Du Pont Powder Co., at Pinole, is within 12 miles by water and rail. The powder plant at Giant is 6 miles farther away.

Wadding: Large paper mills are at Antioch within 16 miles.

Chemicals: Plant within 10 miles.

Silk: Looms at Berkeley, Calif.

Fuel: An abundant supply of oil is obtainable. Nine pipe lines are laid within 1 to 5 miles of the arsenal. The nearest supply of coal is Utah and Wyoming. The steel in the casting shown in the photograph submitted to your committee was smelted with oil.

Power: The main line of the Pacific Gas & Electric Co. is within 3 miles of the arsenal and supplies it with power. The Great Western power lines are within 16 miles.

The War Department in 1916 admitted an adequate supply of raw materials and labor.

The arsenal's location as to defensibility.—I refer to paragraph 60 of the General Staff Corps report prepared by the War College September 15, 1915, that arsenals and depots be inside the Appalachian Mountains and the Cascade and Sierra Nevada Mountains, and not within 200 miles of the Canadian or Mexican borders. The contemplated improvements at Watertown, within 8 miles of the Atlantic Ocean and the great improvements made at other arsenals east of the Appalachian Mountains must nullify this stand.

The fact that the Navy Department contemplates the building of a great naval base on San Francisco Bay or tributaries should and will make it imperative that the defenses be the best.

Transportation.—The main line of the Central Pacific Railroad runs through the arsenal reservation for Portland and Seattle. The Southern Pacific main line is within 1 mile across the Straits of Carquinez. The Santa Fe is within 3 miles. The Western Pacific Railroad is within 28 miles. I am submitting herewith a map of the bay region, showing that the systems interlock at a point so close to the arsenal that it has no equal as a distributing point on the Pacific coast.

Water transportation.—A channel to the ocean of 35 feet. A depth of 41 feet within 100 feet of the present dock gives the arsenal an unequalled location as a distributing point by water.

THEODORE RUEGER.

(Thereupon, at 4.10 o'clock p. m., the committee adjourned subject to the call of the chairman.)

**SUBCOMMITTEE No 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Wednesday, October 1, 1919.**

The committee met at 11 o'clock a. m., pursuant to adjournment on yesterday, Hon. William J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Mr. GRAHAM. We are all here, I think, gentlemen, and we will proceed. Maj. Holder, who will you have next?

Maj. HOLDER. I desire to have Capt. Schmuck recalled.

Mr. GRAHAM. Before we proceed, what is this matter?

Mr. SCHMUCK. I wanted to explain some matters with reference to the testimony of Mr. Stein, who testified yesterday with reference to the settlement of the Stein-Burns contracts.

Mr. GRAHAM. Are they matters within your own personal knowledge?

Mr. SCHMUCK. They are matters within my own personal knowledge; yes.

Mr. GRAHAM. Then you may proceed.

FURTHER TESTIMONY BY THOMAS A. SCHMUCK—Recalled.

Mr. SCHMUCK. Mr. Stein testified yesterday in regard to the tin plate that was used by him in the performance of one of his contracts, which, as I recall, was coke plate, whereas the specifications of the contract called for charcoal plate. The issuing of the certificate Form C was a part of my duties in this case, and was as a result of a very lengthy investigation which was made and conference with Mr. Pickard, who was then chairman of the board. The certificate Form C, I might explain to you, is a certificate which is issued by the Bureau Claims Board finding the existence of an informal contract to be adjusted under the act of March 2, setting forth the conditions and terms of the agreement.

Mr. GRAHAM. I don't know that I know just what you refer to by Form C; was that mentioned by Mr. Stein in his testimony?

Mr. SCHMUCK. It was not mentioned in Mr. Stein's testimony, but you will find that attached to the three contracts in this case.

Mr. GRAHAM. What is the purport of it?

Mr. SCHMUCK. If I may have one of those files; shall I read it into the record?

Mr. GRAHAM. No; just tell us.

Mr. SCHMUCK. It finds the existence of an informal agreement to be adjusted under the terms of the act of Congress of March 2; that there was part performance——

Mr. GRAHAM (interposing). Yes; I remember the certificate now.

Mr. SCHMUCK. The terms of this certificate were prescribed by supply Circular 17.

Mr. GRAHAM. Is 17 in the record here?

Mr. SCHMUCK. I don't believe you have 17; that is largely a mode of procedure. You will note by referring to Supply Circular 17 that the supply circular requires the bureau or board to attach to the certificate either an original document which contained the terms and conditions of the informal agreement, or it requires that there shall be attached to the document by the bureau claims board a statement setting forth the terms and conditions of the agreement. There has been a great mass of work before the bureau claims board of the Department of Purchase—I think about 5,000 cases.

Mr. JEFFERIS. That has all been gone over. Gen. Burr has explained that.

Mr. SCHMUCK. This is explanatory, and if you will bear with me a moment I will come to that.

Mr. GRAHAM. Do not duplicate, Mr. Schmuck, in the testimony any more than necessary.

Mr. SCHMUCK. I do not know just what you have.

Mr. GRAHAM. Gen. Burr—we spent almost a half day going over these matters with him.

Mr. SCHMUCK. This is merely explaining why the terms of the supply circular were varied from and why this was attached to this certificate.

I was saying there were a great mass of cases before our bureau claims board, and therefore we departed from the exact language of the circular in many cases by attaching to the certificates some of the documents which we found in the files which, in our opinion, set forth the conditions of the agreement.

Now, in the case in question, you will note that there is attached to the certificate a proposed contract; in two places, I think, it is dated December 6, and in the one case, the third case, December 7.

That contract was attached by me to the certificate, because I was of the opinion that that contract contained all of the provisions which the United States would have desired to incorporate in a formal contract if a formal contract had been issued in those three cases. The record of the bureau, as I recall, does not show that contract ever went to the contractor or that the contractor ever saw the terms and conditions of it. The testimony and the oral evidence on which we based our findings did not show that the contractor had seen the specifications. And you will note, as I point out, that the contract is dated December 6 or 7, whereas the contractor actually stopped work on the contract on November 11. That is one reason why I think confusion has arisen in regard to the specifications in this case.

That is all I have to point out to the committee.

Mr. GRAHAM. Any questions, gentlemen?

Mr. JEFFERIS. I suppose this Form C is only issued by the Board of Contract Adjustment?

Mr. SCHMUCK. No, sir; the Board of Contract Adjustment is authorized to issue Form C in such cases as come before it. I might explain, if it is not plain to you.

Mr. JEFFERIS. If they do not issue it, who else issues it?

Mr. SCHMUCK. The bureau board is required to issue it wherever there is a writing; that has been construed to be where there is a written evidence before the armistice, under the act of March 2. Where there is no written evidence the case is one that goes to the Board of Contract Adjustment, which hears oral testimony and finds on that.

Mr. JEFFERIS. Then there are two boards that issue this form?

Mr. SCHMUCK. As I say, the bureau board, if you regard all bureaus as a board.

Mr. JEFFERIS. I want to know how many boards——

Mr. SCHMUCK (interposing). So far as the one is concerned—I do not know all of them—I can give them to you in a general way. We have jurisdiction over those where the terms are reduced to writing prior to March 2, and where there is no writing it is a claim to be put up to the Board of Contract Adjustment.

Mr. JEFFERIS. Then the Board of Contract Adjustment can issue these forms or certificates wherein there is no writing?

Mr. SCHMUCK. Where there is no writing.

Mr. JEFFERIS. I am asking if there are two of you that issue this "Form C"?

Mr. SCHMUCK. Yes, sir.

Mr. JEFFERIS. That answers the question; that is all I want to know.

Mr. GRAHAM. I want to ask a question. On the 2d day of September the Office of the Director of Purchase and Storage was asked by an investigator for this committee whether any changes had been made in the specifications of these articles; at least, that is the way I understand the inquiry. In the record, on page 874, appears a letter from Richard Wetherill, colonel, Infantry, Chief General Supplies Division, also signed by J. H. Curtin, major, Quartermaster Corps, Chief Administrative Branch, in which he answers that inquiry and says:

Subject: Contracts and specifications for bread boxes.

1. In response to your request under date of September 2, 1919, attached hereto is a list of all contracts and purchase orders, formal and informal, placed by this division for bread boxes and a copy of the specifications used.

2. All the contracts reported on the accompanying list for rolling kitchens and the same specifications apply to all. No changes of specifications were made, excepting under contract Hc-451-J with Riester & Thesmacher, when the following change was embodied for it in a supplemental agreement:

"That the bread boxes shall be soldered with 'half-and-half solder' instead of pure block tin, as specified in the original contract."

Following is another paragraph not particularly relevant. How do you construe that letter with reference to what has already appeared in this testimony from Mr. Stein and what you have said?

Mr. SCHMUCK. I would construe it in this way, Mr. Graham: I would construe it as meaning that there had been no change in the specifications at all in regard to these particular contracts. You will note by referring to the files that the recommendation for a formal contract in this case was drawn up by Maj. Peck, who was then chief of this particular branch that had charge of these claims; the recommendation for a formal contract was drawn up on November 20, which was nine days after the contractor ceased work. The terms of the informal contract as entered into prior to the armistice was

dated December 6 or 7. Now, of course, the specifications were attached, in the first instance, on that date and there has been no modification, so far as I know, but that contract was never executed. The performance of the informal contract ceased on the day of the armistice, and the specifications subsequently were not changed and there was no reason for them to change; I see no reason for them to change.

Mr. GRAHAM. Well, I would construe this letter to mean that no changes in the specification were made and none were authorized; if none were made, surely none were authorized. Now, did the person who changed these specifications have the authority from the head of the department to do it, or to tell this contractor he could use something else, or did he do it on his own initiative?

Mr. SCHMUCK. I think we are talking at cross purposes, because the specifications had been drawn for the performance of a contract which had ended.

Mr. GRAHAM. I mean there were no specifications for the contract?

Mr. SCHMUCK. There were no specifications. It called for the manufacture of a certain number of given articles; the contractor had been manufacturing those given articles. He knew what they were; a standard article. In one instance——

Mr. GRAHAM (interposing). Let us pursue this until I get it clear in my mind. You say that this contractor used coke plate, as I understand it?

Mr. SCHMUCK. Yes; so I am advised.

Mr. GRAHAM. Because he had been using it, and because he did not know that you wanted anything else?

Mr. SCHMUCK. Yes, sir.

Mr. GRAHAM. And because there was no contract at all entered into, except some authority for him to proceed and make bread boxes, he did not know what your specifications were until the contract had been suspended; that is it, is it?

Mr. SCHMUCK. Well, I understand that those specifications generally were a standard specification; the so-called Liberty kitchen was a standard article.

Mr. GRAHAM. The standard specifications were for charcoal tin, weren't they.

Mr. SCHMUCK. I don't know. I know on formal contract 8C972C for 10,000 bread boxes, the specifications were that they were to be made of No. 20-gauge tin plate, 10-pound coking; no specifications of either coke plate or charcoal.

Mr. GRAHAM. Do you mean the Stein-Burn got those specifications?

Mr. SCHMUCK. Yes, sir.

Mr. GRAHAM. Then why is it when we called for the papers in this matter that you send us papers having specifications calling for charcoal tin plate?

Mr. SCHMUCK. You simply got the files in this case, Mr. Graham. I explained to you why that was attached to "Form C." Now, so far as I was concerned I did not have anything to do with this particular settlement. And it was not until it was called to my attention that I knew there was a divergence between the settlement and the contract as certified to. The contract as certified to was attached to the certificate, because I felt if I were looking after the

interests of the Government, I would like to see that incorporated in it.

Mr. GRAHAM. Did you prepare this copy we have?

Mr. SCHMUCK. Which copy?

Mr. GRAHAM. The set we have, including the award?

Mr. SCHMUCK. Oh, no; I did not know what you had.

Mr. GRAHAM. Did you attach these specifications to the files?

Mr. SCHMUCK. I instructed Mr. Tripp to attach this contract to certificate "Form C."

Mr. GRAHAM. And when that was attached was there a copy of these specifications?

Mr. SCHMUCK. Yes, sir.

Mr. GRAHAM. Calling for charcoal tin plate?

Mr. SCHMUCK. Yes, sir.

Mr. GRAHAM. Why did you do that when you knew he was not to use it?

Mr. SCHMUCK. I did not know it.

Mr. GRAHAM. You did not know it?

Mr. SCHMUCK. As I told you before, it is our policy as a matter of business to attach some documents to show the contract which the United States would like to see incorporated.

Mr. GRAHAM. Which the United States would like to see incorporated?

Mr. SCHMUCK. Yes, sir.

Mr. GRAHAM. Whether they were incorporated or not, it is your habit to put things on there to indicate what you would like to have the contract to be?

Mr. SCHMUCK. No, sir; not what I would like, because I have no interest in the matter. But my duty is, part of it, to conserve the interests of the United States; and if the contractor objects to the contracts as I have certified it to him, it can be amended on a proper showing.

Mr. GRAHAM. Did he object to this?

Mr. SCHMUCK. No; I don't know that it was called to Mr. Stein's attention, probably until yesterday.

Mr. GRAHAM. Well, I see nothing in the files or papers anywhere that he ever objected to it?

Mr. SCHMUCK. No; I don't know that he knew anything about it.

Mr. GRAHAM. Well, he had the papers so that he could see, couldn't he?

Mr. SCHMUCK. I don't know whether he did or not. It is our practice to transmit those papers from the bureau to the Zone Board of Review.

Mr. GRAHAM. The long and short of it then is this, that when this committee sends to the department a contract is sent down here in this case that is not the contract between the parties; when we then call on the proper authorities, as we think, to find out whether there have been any changes in the specifications, we are advised there has been none, and then for the first time when we come to examine this we are told that these specifications were changed. Now, you can understand in a minute how any committee would labor under adverse circumstances that can not get any more accurate information about it than that, and in this particular instance, this committee has been lead to believe that it had the

contract, until you and Mr. Stein testified, and we find from your testimony we have not had the contract, that the specifications are not the specifications entered into, and that the specifications so far as they appear in there are not part of the contract at all. Now, that is the situation, isn't it?

Mr. SCHMUCK. I think so. But I might say this, we are always at liberty to help in your investigation of this matter and if Mr. Bennett had called on us—

Mr. GRAHAM. (interposing.) He did not know anything about it until he got this letter.

Mr. SCHMUCK. I do not know anything about Mr. Bennett; I haven't even a speaking acquaintance with him.

Mr. GRAHAM. How many other contracts down there are in the same fix now?

Mr. SCHMUCK. I had no reason to suppose that any of them are.

Mr. GRAHAM. Have you any reason to suppose that the rest of them are not that way?

Mr. SCHMUCK. I am very sure that an error of this kind is a most unusual one, yes. We have exercised great care; I think a very considerable degree of care.

Mr. GRAHAM. Do you think so?

Mr. SCHMUCK. I am very sure of it, sir; very sure of it.

Mr. GRAHAM. Well, anything more?

Mr. JEFFERIS. And this Stein-Burn contract, so called, never went before the Board of Contract Adjustment?

Mr. SCHMUCK. No, sir; I might say this, that when this claim was first filed we were not sure we had jurisdiction of it, or whether the Board of Contract Adjustment had jurisdiction of it. It was filed very shortly after the passage of the act of March 2, and the question of our jurisdiction and theirs had not been finally determined. We were originally of the opinion that the matter was one for the Board of Contract Adjustment, and after a conference with Mr. Pickard and myself, it was suggested to Mr. Stein that he withdrawn his papers and send them to the Board of Contract Adjustment. He then prepared a claim, but he came on to Washington, I think to see some papers in our files, and we told him—or wrote to him, I am not sure—that this was a Class A claim.

Mr. JEFFERIS. Did you have anything to do with that proposition?

Mr. SCHMUCK. Oh, yes.

Mr. JEFFERIS. You told him what?

Mr. SCHMUCK. That this was a Class A claim, one within our jurisdiction.

Mr. JEFFERIS. That was because there had been something prepared which had never been agreed to, I understand, after the armistice—that is, never been executed?

Mr. SCHMUCK. No, sir; I don't think that is a fair statement.

Mr. JEFFERIS. Was there a contract prepared in writing after the armistice?

Mr. SCHMUCK. No, sir. What was your question?

Mr. JEFFERIS (to the reporter). Read it.

(The question was read to the witness as follows:)

That was because there had been something prepared which had never been agreed to, I understand, after the armistice—that is, never been executed?

Mr. SCHMUCK. Well, I can only say this, that that was not the sole basis for our finding. I am speaking of the question of jurisdiction.

Mr. JEFFERIS. I do not want to get into the question of jurisdiction; we have too many courts. I am asking you if it ever went to the Board of Contract Adjustment?

Mr. SCHMUCK. No, sir; I am telling you that at one time we contemplated sending it there.

Mr. JEFFERIS. All right; that answers the question. Now, you are sure it didn't go there?

Mr. SCHMUCK. I am reasonably confident, but their records will show absolutely.

Mr. JEFFERIS. Then what board did say that it came under this Supply Circular 17?

Mr. SCHMUCK. You mean what board determined that it was not for ourselves to consider?

Mr. JEFFERIS. Yes, sir.

Mr. SCHMUCK. Well, I think that came up from a discussion by Mr. Pickard and the General Claims Board, on the general proposition; I don't think this was discussed specifically. At the conference it was determined if there was no writing prior to the armistice or no agreement, it should go to the Board of Contract Adjustment; if there was a writing it was a matter for ourselves to pass upon.

Mr. JEFFERIS. Even if that writing, so called, had not been executed by the parties and had come into existence subsequent to the armistice; is that it?

Mr. SCHMUCK. That is a jurisdictional fact; yes, sir. But of course, you should understand that contract of itself authorizes the issuance of a certificate.

Mr. JEFFERIS. I know, because that can only be issued by the Board of Contract Adjustment.

Mr. SCHMUCK. No, sir; you are in error. It can be issued by ourselves, as has been done in over 4,000 cases.

Mr. JEFFERIS. Then, as I understand, if a man had a verbal order, so called, before the armistice, and then somebody got up a written contract after the armistice, say in December, that you would take that subsequent writing, and say that it came into a Class A contract?

Mr. SCHMUCK. Yes; but I would like it also understood that we would not use that alone to determine whether it came within the act of March 2.

Mr. JEFFERIS. Wasn't the Board of Contract Adjustment organized by the department for the express purpose of determining whether there had been informal agreements before the armistice?

Mr. SCHMUCK. Of course, I say we were. If you will look at Supply Circular 17, you will find it clearly—

Mr. JEFFERIS (interposing). You have Class A and Class B contracts?

Mr. SCHMUCK. Yes, sir.

Mr. JEFFERIS. Now, what I am gathering from you is that if writings were prepared subsequent to the armistice and which had never been executed prior to the armistice, that this is used by you as

evidence by the board or any of the boards for the purpose of determining whether any contract had been entered into?

Mr. SCHMUCK. Of course, sir, but you must realize as a lawyer that certain evidence is entitled to a certain amount of weight, and certain evidence is not entitled to as much weight; it was not conclusive.

Mr. JEFFERIS. Why wouldn't the status of a contract between the Government and a contractor be determined by the writings or facts in existence before the armistice, rather than something prepared after the armistice?

Mr. SCHMUCK. I think you are absolutely right about that, sir. We considered all the documents and when I made the statement that we considered written evidence which came into existence between the date of the armistice and March 2—

Mr. JEFFERIS (interposing). Why did you consider that?

Mr. SCHMUCK. Because it was a matter of policy—

Mr. JEFFERIS (interposing). Because that was simply prepared by somebody and was not agreed to, perhaps?

Mr. SCHMUCK. I think I could explain.

Mr. JEFFERIS. I don't think so.

Mr. SCHMUCK. We considered all the documentary evidence; where it came into existence prior to November 11, it was a class A claim.

Mr. JEFFERIS. Certainly.

Mr. SCHMUCK. And we had a great deal of question and the other boards, whether a certain claim was a class A claim, if there was no written evidence prior to the armistice. It was finally determined—I have not the letters of the War Claims Board, but I am advised it was—if the documentary evidence was created between the date of the armistice and the passage of the act of March 2. Now, my understanding is that the arbitrary date of March 2 was fixed because it was thought to fix a later date would perhaps open the door to fraud, because some contractor—

Mr. JEFFERIS (interposing). That is when the law was passed.

Mr. SCHMUCK. Yes, sir.

Mr. JEFFERIS. You need not go into that. I am asking you why you take into consideration whether a claim is class A or class B contract, that you will consider ex parte writing to determine that, between the armistice and the passage of the act as determining whether it will be a class A or class B contract?

Mr. SCHMUCK. Yes; I told you we did that as a result of various conferences with the War Claims Board.

Mr. JEFFERIS. That answers it.

Mr. SCHMUCK. And you realize that all writings are ex parte—

Mr. JEFFERIS (interposing). Yes; and you may have somebody interested in the War Claims Board, or somebody interested in helping somebody out?

Mr. SCHMUCK. Yes; certainly.

Mr. JEFFERIS. And that he would get up some writing while the thing was moving along and you would permit that to be used?

Mr. SCHMUCK. We would permit that to be used? Not if we knew of those circumstances.

Mr. JEFFERIS. Oh, no; but I say it opened the door to that?

Mr. SCHMUCK. What opened the door?

Mr. JEFFERIS. For anybody to do that after the armistice was signed and the contract suspended.

Mr. SCHMUCK. I will say that I do not know of a single word in over 4,000 cases passed upon by our board where you can find a word of that kind.

Mr. JEFFERIS. Suppose now, there was a contract drawn up after the armistice with some contractor that had an informal arrangement for supplies before the armistice and the contract was drawn up, but which was never signed or agreed to by the contractor, which would have specifications in it much more favorable to the contractor than was the understanding when the informal agreement was used, he would get the benefit of it?

Mr. SCHMUCK. No, sir; he wouldn't. It was our purpose to determine what the terms and conditions of the agreement were.

Mr. JEFFERIS. What agreement now?

Mr. SCHMUCK. The informal agreement in question that you are asking about. Now, if we could find what the terms and conditions were and found they differed, or there was any question about it, then we would refer it to the Board of Contract Adjustment; it did not have sufficient evidence to issue a certificate.

Mr. JEFFERIS. Then you claim all those papers drawn between the armistice and March 2 and not signed, if they disagreed with what the contractor claimed was the agreement, you sent that case to the board of contract adjustment division?

Mr. SCHMUCK. Yes, sir.

Mr. JEFFERIS. But if the claimant claimed the contract to be the same as that shown in subsequent writings between the armistice and March 2, in that case you thought you had an agreement?

Mr. SCHMUCK. Yes, sir.

Mr. JEFFERIS. Now, in this Stein-Burn case, the writing was prepared December 6?

Mr. SCHMUCK. Yes; approximately that date.

Mr. JEFFERIS. Sixth or seventh?

Mr. SCHMUCK. It was dated two dates.

Mr. JEFFERIS. And that was not signed by any Government officer or any Government official and not signed by Stein-Burn Co.?

Mr. SCHMUCK. I don't know whether it was signed by Maj. Peck; it was not approved by the hardware and metals division.

Mr. JEFFERIS. And not by Stein-Burn Co.?

Mr. SCHMUCK. No, sir.

Mr. JEFFERIS. In these written specifications of December 6 or 7, whichever it was it specified for this charcoal plate?

Mr. SCHMUCK. Yes, sir.

Mr. JEFFERIS. Now, you say that the informal agreement did not provide for charcoal plate?

Mr. SCHMUCK. The informal agreement did not contain any specifications whatsoever.

Mr. JEFFERIS. Then, if they did not contain any specifications whatsoever, why did you permit this later writing that was never executed by the parties to control as to the kind of material Stein-Burn Co. were to get?

Mr. SCHMUCK. The specifications were standard specifications. It was not called to my attention until yesterday or day before that there was a variance between these specifications and those settled

by. As I told you, it was our purpose to protect the interests of the United States; and if there was a contract drawn up which contained provisions more liberal to the United States, we proceeded to certify to that for the protection of the United States.

Mr. JEFFERIS. Now, if that contract as drawn up on December 6 had charcoal plate specified, and the informal contract or agreement had coke plate specified, why didn't you send it to the board of contract review or adjustment?

Mr. SCHMUCK. The informal agreement did not have any——

Mr. JEFFERIS (interposing). How did you know what they were?

Mr. SCHMUCK. I might say it was standard. The matter of specifications did not enter into the proposition. There has been many informal agreements that contained no specifications; they are standard specifications; they are well known to the Government negotiating officers and to contracting officers.

Mr. JEFFERIS. Let us get out of this discussion. What are the standard specifications for these matters that are involved here?

Mr. SCHMUCK. I can not tell you, sir.

Mr. JEFFERIS. Then you don't know now?

Mr. SCHMUCK. I do not, sir.

Mr. JEFFERIS. Then how could you pass on a claim and determine what were standard specifications then if you do not know even now?

Mr. SCHMUCK. I did not quite get your question.

Mr. JEFFERIS (to the reporter). Read it to him.

(The reporter thereupon read the question to the witness, as follows:)

Then how could you pass on a claim and determine what were standard specifications then if you do not know even now?

Mr. SCHMUCK. Yes; I told you I did not pass on the specifications; they were for a certain number of articles, and the specifications were on file and they were considered in the adjustment of that contract.

Mr. JEFFERIS. Where were they on file?

Mr. SCHMUCK. I think you will find them on file in the hardware and metals division.

Mr. JEFFERIS. I am not hunting for them; did you find them?

Mr. SCHMUCK. No, sir; I did not look for them.

Mr. JEFFERIS. So you went along blind and did not know where they were?

Mr. SCHMUCK. I assumed they were.

Mr. JEFFERIS. Isn't that the way you settle down there—you assume certain things?

Mr. SCHMUCK. I don't think so.

Mr. JEFFERIS. And if a contractor makes a claim, you assume that somewhere there is in some bureau some specifications and you proceed on that line?

Mr. SCHMUCK. No, sir; I do not think that is a fair statement of the facts.

Mr. JEFFERIS. You did not go to look for them, did you?

Mr. SCHMUCK. No, sir; the informal agreement according to the evidence other than the three contracts in question were simply for a given number of articles at a given price. I might say there are well-known specifications for those.

Mr. JEFFERIS. You haven't seen them, have you?

Mr. SCHMUCK. No, sir; I can tell you I have not read over those specifications even now.

Mr. JEFFERIS. Do we know who does?

Mr. SCHMUCK. I would say Capt. Wetherill would, or Maj. Deemer, and the zone supply officer in Chicago.

Mr. JEFFERIS. Do you know this, or are you guessing again?

Mr. SCHMUCK. I do not think I have been guessing.

Mr. JEFFERIS. Have you seen them at any of those places?

Mr. SCHMUCK. No, sir; I have not seen them.

Mr. JEFFERIS. How do you know that?

Mr. SCHMUCK. Well, sir, I can only say that where these things are being manufactured in large quantities, according to Government specifications—

Mr. JEFFERIS (interposing). How do you know that if you have not seen them?

Mr. SCHMUCK. Of course, you are asking me if I know of my own knowledge?

Mr. JEFFERIS. Yes; that is what I supposed you were testifying about.

Mr. SCHMUCK. I can only say this, that the Government keeps a record of its specifications. I know that of my own knowledge.

Mr. JEFFERIS. How do you know that now?

Mr. SCHMUCK. About these particular specifications?

Mr. JEFFERIS. No; generally.

Mr. SCHMUCK. Because I have seen them gotten out of the files; I have seen them produced.

Mr. JEFFERIS. Not in this case?

Mr. SCHMUCK. No; not in this case, but in the rolling-kitchen contract.

Mr. JEFFERIS. Now, about these chests and cookers, or anything like that; did you ever see any specifications at all about that?

Mr. SCHMUCK. I have seen those attached there; I have not read them through; no, sir. I have seen them.

Mr. JEFFERIS. Did your board make any investigation as to whether this man Peck had authority from the Secretary of War or President to enter into this agreement?

Mr. SCHMUCK. I will say this, we called Mr. W. A. Dunning, who is now living in Duluth, and we found from our records and inquiry of Mr. Dunning that Maj. Peck was the head of the branch that had let these contracts, and that he had let other contracts; that was a part of his duties. I have never looked into the appointment of Mr. Peck, or Maj. Peck.

Mr. JEFFERIS. This supply circular No. 17 says:

Class A: Claims based on agreements made by an officer or agent under the authority, direction, or instruction of the Secretary of War, and the nature, terms, and conditions of which has been reduced to contract form or otherwise established by evidence.

Now, what investigation did you go into to see whether this man Peck, who makes that affidavit for Stein-Burn when this claim was filed, to see whether or not this man Peck did have authority from the Secretary of War or the President to enter into this?

Mr. SCHMUCK. Well, sir, I ascertained that he was the head of the branch that had charge of the procurement of these materials.

Mr. JEFFERIS. That is as far as you went?

Mr. SCHMUCK. I do not know anything—

Mr. JEFFERIS (interposing). I say that is as far as you went?

Mr. SCHMUCK. Yes; he had been buying materials for the Government and those were his duties as chief of this branch.

Mr. JEFFERIS. And then because the matter had been reduced to contract form between the armistice and March 2, 1919, you concluded then that he was in class A?

Mr. SCHMUCK. No, sir; you will find that there is a considerable quantity of correspondence prior to the armistice; and you will also find there is an undated memorandum which Maj. Peck testified to that was written and put in the files about August 26. The other correspondence is dated prior to the armistice.

Mr. JEFFERIS. Correspondence?

Mr. SCHMUCK. Yes; correspondence. I might say in this connection all this was carefully investigated—

Mr. JEFFERIS (interposing). That was not formal?

Mr. SCHMUCK. No, sir; but written evidence, as we construed it, of the making of a contract. Mr. Dunning was interviewed and Capt. Williams, who was Maj. Peck's assistant, was interviewed.

Mr. JEFFERIS. Did they file any evidence?

Mr. SCHMUCK. No, sir; because we did not think their evidence was sufficiently material. Maj. Peck was brought over from New York, and we interviewed him, and we desired his evidence in affidavit form rather than in the form of questions and answers. I had an affidavit prepared by him under oath. And I interviewed Mr. Nisley and also Mr. Stein on a number of occasions. Mr. Stein's statement was reduced to an affidavit and attached to the statement of claim. Mr. Nisley's was also attached to the claim as an affidavit.

Mr. JEFFERIS. Did you make a finding then?

Mr. SCHMUCK. The finding is set forth in the certificate "Form C."

Mr. JEFFERIS. That there was an informal contract?

Mr. SCHMUCK. Within the meaning of the act of March 2.

Mr. JEFFERIS. Then what did you do after you got that far along?

Mr. SCHMUCK. And then we transmitted it to Mr. Tripp, who was secretary of the board, to attach contracts setting forth—

Mr. JEFFERIS (interposing). What contracts did you tell him to attach?

Mr. SCHMUCK. The contracts I have referred to, December 6 and 7.

Mr. JEFFERIS. They were not written contracts then, in written form?

Mr. SCHMUCK. No; permit me to amend my answer and say written form of contract.

Mr. JEFFERIS. Was that taken up then with Stein-Burn Co.?

Mr. SCHMUCK. The procedure which I suppose was followed in this case—I know of no case in which it was not followed—was to transmit "Form C" with the documentary evidence attached through to the zone board, or to the zone supply officer for settlement.

Mr. JEFFERIS. Now, what good would the form papers have attached to them be to that officer if they called for charcoal tinplate and he found something else out there?

Mr. SCHMUCK. Well, sir; I think the matter should have been called to my attention, but it was not so far as I know; if it had been it would have been amended——

Mr. JEFFERIS (interposing). In other words, you would have made it suit the plate that Stein had on hand, would you?

Mr. SCHMUCK. I would not; I would make it conform to the agreement as I understood it.

Mr. JEFFERIS. How do you understand it now?

Mr. SCHMUCK. I understood it to be that the contract called for a given number of boxes and cooks' chests and fireless cookers at given prices.

Mr. JEFFERIS. Well, what kind of material?

Mr. SCHMUCK. The specifications were standard specifications. I am also informed that Mr. Stein had formal contracts prior to the armistice that permitted the use of coke plate. I was also advised yesterday that he was instructed to use coke plates.

Mr. GRAHAM. Just a moment; you are not permitted, and you are a lawyer and you know you are not permitted to state a lot of things that you are advised. Confine yourself to what you know about this. You have gone to great length in answers both to my questions and to Mr. Jefferis's questions; let us get at the facts and leave out this extraneous matter.

Mr. JEFFERIS. That is, I understand you, you mean contract meant coke plate instead of charcoal plate.

Mr. SCHMUCK. At the present time I have no doubt of it.

Mr. JEFFERIS. At that time you did not know?

Mr. SCHMUCK. No, sir; but if the matter had been reported to me I would have investigated——

Mr. GRAHAM (interposing). You have answered the question; now, please stop.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Go ahead, Mr. Garrett.

Mr. GARRETT. Let me see if I can get this matter straightened out in my mind, with reference to this contract for bread boxes. First, let me ask, who was Maj. Peck?

Mr. SCHMUCK. Maj. Peck was the chief—if you will permit me to refer to my memorandum I can give you the name at once.

Mr. GARRETT. Yes.

Mr. SCHMUCK. Maj. Peck was major of the Quartermaster Corps and from June 10, 1918, to January 1, 1919, was chief of the camp and kitchen equipment branch of the hardware and metals division of the office of the director of purchase.

Mr. GARRETT. In that capacity did he have authority to make purchases?

Mr. SCHMUCK. He did, sir.

Mr. GARRETT. Now, if I understand correctly about this bread box contract it came about in this way: As early as July or August, 1918, he entered into some sort of negotiations with Stein-Burn Camp & Field Equipment Co. for the manufacture of 20,000 or 22,000 of these bread boxes; is that correct, from the records?

Mr. SCHMUCK. My recollection—permit me to refresh my recollection.

Mr. GARRETT. Yes; from the record.

Mr. SCHMUCK. This is my memorandum prepared from the record. My memory is not clear on that point, but my best recollection is that the contract was entered into for these bread boxes on or about August 26 for about 20,000 and for 2,000 some time during the first week of September; that is the best of my recollection.

Mr. GARRETT. Proceeding under that contract, oral or written, or whatever it may have been, this company did go to work on the manufacture?

Mr. SCHMUCK. So I am advised; yes, sir.

Mr. GARRETT. Now, I call your attention to a letter in the brief of facts accompanying the claim of Stein-Burn Camp & Field Equipment Co., under date of August 7, 1918, which has already been read into the record, but which I will read again for the purpose of continuity:

2. The new specifications are as follows:

Bread boxes are to be made of No. 20 U. S. gauge coke tin plate. Body is to be of two pieces, with two corners lapped and riveted. All soldering to be done with pure block tin. There is to be no lead in the solder. Bottom to be riveted to the body as specified on blue print and is then to be soldered with pure block tin. Bread box to conform to specifications and blue prints in all other respects.

W. A. GRAHAM,
Chief Hardware and Metals Division,
By W. J. PECK,
Chief Procurement Branch No. 3.

Now, I want to ask you if there is anything in the record which refers to charcoal tin plate other than this letter of December 7, which has been referred to and which is in our record at page 881?

Mr. SCHMUCK. You mean the proposed contract, not a letter, do you?

Mr. GARRETT. Well, I suppose it is a proposed contract. It is in the form of a letter from the Director of Quartermaster Purchase and refers to contract numbered so and so. I do not understand that to be a contract.

Mr. SCHMUCK. May I see the document?

Mr. GARRETT. You may [handing paper to Mr. Schmuck]. I understand it to be a letter which would set forth, perhaps, the understanding of what the contract was.

Mr. SCHMUCK. May I explain to you what this document is?

Mr. GARRETT. You may.

Mr. SCHMUCK. The forms of contracts, the formal contracts that were ordinarily entered into by the officer of the director of purchase was a printed form. The substance of the contract was contained in a typewritten schedule, which was inserted, that set forth just exactly what was to be delivered under the contract. That was really a part of the contract and was the most material part of the contract, and that is the document that you are referring to.

Mr. GARRETT. Well, now, the question is, Is there anything in the record, to your knowledge, which refers to charcoal tin plate other than the expression contained in this communication of December 7, 1918? What I want to know is if, to your knowledge, there is anywhere anything else in writing in the record of this claim or contract, anything referring to charcoal tin plate.

Mr. SCHMUCK. May I be permitted to glance at the documents attached to the statement of claims?

Mr. GARRETT. Certainly; this is the brief [handing papers to witness], and here is the rest of the file here [handing other papers to witness].

Mr. SCHMUCK. To the best of my knowledge there is no such other reference to charcoal tin plate. However, I would like to say that before I make a definite statement that I should like an opportunity to consult any files that the hardware and metals division have referring to this. I will say that it is very possible that Maj. Peck's recommendation for a formal contract dated November 20 may contain some recommendation for charcoal plate. I do not know what that contains, although I think the probabilities are that it was merely a recommendation for a contract for a given number of articles at a given price.

Mr. GARRETT. Well, do you know why this contract was drawn in December?

Mr. SCHMUCK. I do not know why it was drawn, unless it was due to the fact that the contractor had obligated himself for a large amount of material prior to the armistice that he then had in his place. It was not known at that time how contractors could be taken care of where their claims were based on an informal agreement, and it was probably the desire of the hardware and metals division to reduce this contract to a shape where it could be terminated as the Dent bill subsequently provided. The contractor had obligated himself for a quarter of a million of material, and it was the desire, perhaps, to compensate him for a loss, as provided subsequently in an act of Congress.

Mr. GARRETT. State, if you know, whether that paper of December 7 was supposed to contain the substance of the verbal agreement?

Mr. SCHMUCK. My understanding of it was that it contained the substance of the verbal agreement, and something more than that. The verbal agreement, as I stated before, was for a given number of articles for a given price. But, as I stated to Mr. Jefferis, I felt all the terms and conditions which I think the United States would have liked to have seen inserted for the best interests of the United States, that was actually the agreement in mind, although it, perhaps, was outside of the actual oral agreement it contained.

Mr. GARRETT. I do not believe I care to ask any further questions.

Mr. GRAHAM. Then that is all.

Mr. SCHMUCK. Just a second. Mr. Stein left with me a letter which he desired to be made a part of the record in this case.

Mr. GRAHAM. We will look at it. [After examination of the letter.] I do not think this letter should go in. What do you think about it, Mr. Jefferis?

Mr. JEFFERIS. I do not think so, either.

Mr. GRAHAM. It will not go in the record.

There may be inserted in the record at this place the original letter written by Mr. D. J. Bennett, representing this committee, to Maj. Curtin, and the specifications which accompanied the answer to this letter, as well as a list of contracts attached to the answer. The answer to the letter is to be found in the record, at page 874, and therefore will not be again inserted at this place.

(The papers referred to are here printed in full in the record, as follows:)

Company.	Contract.	Number.	Amount.	Remarks.
F. G. Bowen Machine Co.....	HO-1341-N....	1,500	\$8.50	Canceled Apr. 30, 1919.
Steinburn Camp, Field & Equip- ment Co.	HO-1340-C....	2,000	9.00	See HC-294-C below.
Do.....	HC-972-C....	10,000	7.50	Complete.
Do.....	HC-294-C....	20,000	8.50	Canceled; delivery to be taken care of by HO-1340-C.
Eslein Sheet & Metal Works.....	HO-1465-C....	2,000	7.25	Complete.
Riester & Thesmacher Co.....	HC-451-J....	12,000	9.00	Canceled Feb. 5, 1919.
Eclipse Stove Co.....	HC-180-J....	12,000	9.50	9,926 canceled May 31, 1919.
Erie Stove Manufacturing Co.....	HC-708-P....	10,000	9.00	5,800 canceled Jan. 25, 1919.
Eslein Sheet & Metal Works.....	HC-997-P....	7,500	6.50	Informal contract in course of termination.
New Jersey Fire Escape, Repair & Construction Co.	HC-986-N....	5,000	7.75	Informal contract canceled May 23, 1919.
Coonley Manufacturing Co.....	HC-1000-C....	7,500	7.45	Informal contract in course of termination.
S. Blickman.....	HO-2262-N....	3,000	6.95	Contract in course of termina- tion.
Fox Furnace Co.....	H-301-J....	24,000	9.50	Completed.
Steinburn Camp, Field & Equip- ment Co.	GSC-1289-C....	22,000	7.50	Informal contract, 21,992 can- celed.
S. Blickman.....	GSC-1293-N....	7,000	6.90	Termination being negotiated; informal contract.
C. F. Bowen Machine Co.....	GSC-1300-N....	4,000	7.50	Informal contract; canceled Jan. 15, 1919.
Armour Clad Manufacturing Co....	GSC-3347-J....	1,000	7.58	Informal order, canceled Mar. 8, 1919.

All contracts placed by this division, from June 1, 1918, to Sept. 2, 1919, inclusive.

BREAD BOXES.

The bread boxes shall be made according to drawings: HM-13, HM-14, HM-36W, HM-135, HM-147, HM-148, HM-39.

The four bread boxes shall be made 24 by 12 by 24 $\frac{1}{2}$ inches to top of cover. The bottom will be raised on the inside three-fourths inch, and the seams will be welded and reinforced with 1 $\frac{1}{2}$ by $\frac{1}{4}$ inch flat steel riveted through flange. The top will be reinforced in like manner by 2 $\frac{1}{2}$ by $\frac{1}{4}$ inch flat steel band. The reinforcing bands shall be riveted to the boxes. Material for the bread boxes shall be of No. 20 gauge charcoal bright 3-pound coating tin plate. To be double seamed on the outside with solder of pure tin. (For detail of bread boxes see drawing HM-39.)

The hasp and staple shall be made according to detail drawing HM-147.

The chains shall be of 12 links, as detailed on drawing HM-135.

The snaffle shall have a carrying capacity of 200 pounds, as detailed in HM-14.

The hinges to be made according to drawing HM-148.

The handles to be made according to detail HM-36W. The clips for the reception of the handles shall be made according to detail HM-13.

All rivets used on the bread boxes shall be hot tinned. The electric coating process will not be permitted.

WAR DEPARTMENT, PURCHASE, STORAGE AND TRAFFIC DIVISION.

Washington, September 2, 1919.

From: Congressional investigating committee (Mr. D. J. Bennett, room 1411, Munitions Building), Washington, D. C.

To: Maj. H. J. Curtin.

Subject: Contracts and specifications for bread boxes.

1. You are requested to furnish writer with a list of all contracts for bread boxes that have been placed since the beginning of the war in 1917 up to the present date also the specifications for each particular contract, and if the specifications have been changed subsequent to the date the contract was placed

up to the time of termination or completion, such changes in specifications are also requested.

2. This information is desired if possible before 4 o'clock to-day, September 2, 1919.

CONGRESSIONAL INVESTIGATION COMMITTEE,

By D. J. BENNETT.

Mr. JEFFERIS. I want to ask Mr. Schmuck what became of the formal contract that was issued to the Stein-Burn Co. of date October 18, 1918, and which was sworn to by W. J. Peck?

Mr. SCHMUCK. The formal contract?

Mr. JEFFERIS. Well, according to the affidavit of Mr. Peck here, he says: "That thereafter and during the first or second week of September having verbally informed claimant that they would be recommended for an award of 17,500 fireless cookers at \$11.50 each, thereafter on October 18, 1918, a formal contract was issued to claimant covering 12,000 of such fireless cookers."

Mr. SCHMUCK. You want to know where those are?

Mr. JEFFERIS. Yes.

Mr. SCHMUCK. There is one copy of those contracts in the office of the Quartermaster General. If you will permit me to ask Maj. Holder I can give you the name of the branch.

Mr. JEFFERIS. All right; we want that.

Mr. SCHMUCK. One copy of the original is in the office of the contract-examining branch, Director of Finance.

Mr. JEFFERIS. What were the terms of those formal contracts issued October 18?

Mr. SCHMUCK. I can not tell you.

Mr. JEFFERIS. You did not look to that to see what the agreement was at that time?

Mr. SCHMUCK. In regard to that formal contract?

Mr. JEFFERIS. Yes; in this settlement.

Mr. SCHMUCK. No, sir. I had nothing to do with the settlement.

Mr. JEFFERIS. You did not have anything to do with the settlement?

Mr. SCHMUCK. I did not pass on those papers; no, sir.

Mr. JEFFERIS. None of those?

Mr. SCHMUCK. In the settlement?

Mr. JEFFERIS. Yes.

Mr. SCHMUCK. No; I did not happen to pass on this; no, sir.

Mr. JEFFERIS. Well, that is all.

Mr. GRAHAM. That is all the committee wishes to ask then.

(And the witness was excused.)

Mr. GRAHAM. How many more witnesses are here in these matters, Maj. Holder?

Maj. HOLDER. We have Col. Goetz, Capt. Benke, Mr. Roberts, and Maj. Caswell.

Mr. GRAHAM. I want to say this, and I must insist from now on, in order to abbreviate this record, that the witnesses confine themselves to the facts within their own knowledge. I want you to put in all the facts about this matter, but there has been a great prolixity of argument and statements and hearsay that I do not think should go into the record. I will call this witness, but I want the witnesses in the future to confine themselves to what they know about the

matters they testify about. Who will you have next, Maj. Holder; did you say Col. Goetz?

Maj. HOLDER. Yes, sir; Col. Goetz.

TESTIMONY OF LIEUT. COL. GEORGE B. GOETZ, QUARTERMASTER CORPS, WASHINGTON, D. C.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Colonel, do you waive any immunity that might arise to you by virtue of your testimony here?

Col. GOETZ. I do not know that I understand that.

Mr. GRAHAM. Well, I tried to explain it on yesterday.

Col. GOETZ. I do not know whether I got it on yesterday.

Mr. GRAHAM. We do not want to embarrass the Department of Justice in any way by anything that this committee does, so the committee has determined that in our investigations of these matters we will ask these questions in these matters, and therefore no one can say in the future that we have interfered with the proceedings of any other department of the Government. If you want to give your testimony here, or if it is desired that your testimony be heard, and I assume that it is so desired—we feel that we ought to ask you whether you waive any immunity that might arise to you.

Col. GOETZ. I will waive it.

Mr. GRAHAM. Your answer is yes?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Which one of these particular claims do you have knowledge of?

Col. GOETZ. Well, the one under consideration, the Stein-Burn Co.

Mr. GRAHAM. Let me get your name in full.

Col. GOETZ. George B. Goetz.

Mr. GRAHAM. Colonel in the Quartermaster Corps?

Col. GOETZ. Lieutenant colonel, Quartermaster Corps.

Mr. GRAHAM. How long have you been in the service?

Col. GOETZ. Two years and two months.

Mr. GRAHAM. During that time what have you been doing in the department?

Col. GOETZ. Purchase and inspection; and after the armistice was signed I was terminating contracts.

Mr. GRAHAM. Engaged in the purchase of any particular line of stuff?

Col. GOETZ. Purchase and inspection of leather, personnel, and horse equipment.

Mr. GRAHAM. Since the armistice did you go to the Claims Board?

Col. GOETZ. After the armistice was signed we had a board for the settlement of difficult leather contracts, and on July 1, 1919, I was appointed salvage member of the Claims Board.

Mr. GRAHAM. Now, in connection with this Stein-Burn matter, tell us what connection you had with it. Just proceed and state any facts within your knowledge about it.

Col. GOETZ. Well, I am not a metal expert, and I do not want to come here as appearing to justify the claim. I will give you just what facts I know about it; and, perhaps, I will have to make some

reference to hearsay and will state where I got my information as to procedure, if that is permissible?

Mr. GRAHAM. Well, you may proceed. We will see about that when we get to it. Try to keep your testimony within the bounds of your own knowledge as far as you can.

Col. GOETZ. Some time prior to July 1, 1919, with the chairman of our board, we called upon Mr. Bergenstein—

Mr. GRAHAM (interposing). Who was the chairman at that time?

Col. GOETZ. Maj. Byron. Mr. Bergenstein had charge of the sales of surplus stocks, and is a large dealer in metals in Chicago. We had the claim of Stein-Burn and several others. Mr. Bergenstein went over the list of materials on hand, making the statement that there was \$25,000 in that claim that should come out. I immediately proceeded upon that assumption—to get the \$25,000. I sent out letters to a number of concerns. Do you wish to know the names of them?

Mr. GRAHAM. Well, yes; I think that is pertinent, if you want to state them; but I do not think their answers are material. Who you wrote to may be all right.

Col. GOETZ. They were all under date of July 9, 1919. I sent out this letter:

Inclosed you will find a stock list of material on hand with one of our contractors which will be sold. Please advise upon receipt whether you can use all or any part of it, and name price f. o. b. Chicago.

That letter was sent to the Steel Sales Corporation, Chicago, large dealers in metals; the Scully Steel & Iron Co., Chicago; Joseph T. Ryerson & Sons, Chicago; National Enameling & Stamping Co., New York—

Mr. GRAHAM. Did you say New York?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. They have several branches, then?

Col. GOETZ. Yes, sir; and I think I directed a letter to their other branches. Also the American Can Co., New York City; the American Can Co., Toledo, Ohio; the Dow Wire & Iron Works, Louisville, Ky.; Central Stamping Co., New York; R. Rothchilds, Brooklyn; Crown Point Metallic Bed Co., Brooklyn; Mohegan Tube Co., Brooklyn; American Steel & Wire Co., New York.

Pending replies to these inquiries, I sent my assistant, Capt. Benke, to Chicago, to negotiate the sale of this material, with the information I had received from Mr. Bergenstein. Capt. Benke called on—

Mr. GRAHAM (interposing). You better let him tell that part of it. You can tell about him reporting back to you. He is here, isn't he?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Well, let him tell what he did. You tell what you know.

Col. GOETZ. Well, I informed Capt. Benke in Chicago that I was unable to get any satisfactory quotation for all this material. After he returned to the office we canvassed the situation very carefully, and we found that all the quotations that we had received for the different lots of material was scarcely any, if any, better, or would be of greater advantage to the Government than that offered by the Stein-Burn Co.

So I took up, by wire, with a representative of the Stein-Burn Co. the matter of his coming to my office, and asked him to do so, which he did. Mr. Stein called about July 20, 1919. Then, in company with Mr. Stein and with the chairman of our board and myself, we again called upon Mr. Bergenstein—the expert on metals—and we went over this list of material very carefully. They figured out that about \$2,800 would be a fair additional allowance to the Government. The two statements I could not reconcile, and they, quite naturally, left a man on the fence and in bad shape as to making a decision as to what would be a fair price. So, in order to be safe, I negotiated a settlement with Mr. Stein; and I started in to get \$12,000, but we jockeyed from that on down to about \$4,500, in addition to the amount figured by Mr. Bergenstein; in all, about \$7,200 or \$7,300. On that basis we settled.

Mr. GRAHAM. Well, Colonel, from the papers in your possession, will you tell us how much salvage value he paid you for the black sheet? What basis of settlement was there on this; how much per pound or per ton for the materials?

Col. GOETZ. I had all that before me at the time, but I do not remember now just what it was.

Mr. GRAHAM. All that you can tell us now is, that in general this claim was reduced until he was paid, approximately, \$171,000, as shown by the final award?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. You do not know what the salvage basis was?

Col. GOETZ. If I had the papers I could, perhaps, tell you.

Mr. GRAHAM. Well, we have nothing here but some papers which proved to be not very authentic. They came from the War Department, but they have been pretty badly impeached by some of the testimony of the witnesses who have preceded you. Here is all we have. Can you tell anything from this file? And here is another sheet that goes with that file which has come out.

Col. GOETZ. The readjustment of the claim placed the value of the metal in the neighborhood of \$27.50 or \$28 a ton.

Mr. GRAHAM. For black sheets?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. There are a lot of rivets and one thing and another in there; what happened to them?

Col. GOETZ. The rivets were represented as being noncommercial—

Mr. GRAHAM (interposing). I know, but did you change the salvage value from what he stated it to be in his claim? He says he will take that iron at $1\frac{1}{2}$ cents a pound and will take the rivets at 25 per cent. Did you change those?

Col. GOETZ. No; we did not change that. It applied to the whole claim.

Mr. GRAHAM. You just cut it down?

Col. GOETZ. I arbitrarily cut it down to \$4,500 after fighting with him for two days.

Mr. GRAHAM. It does not apply to salvage values or anything else; you just cut that much off the claim?

Col. GOETZ. Well, I distributed it among the three claims.

Mr. GRAHAM. I know. But here is what I am trying to get at: He claims in his claim that this stuff is worth only a certain price

per pound or per ton. Did you arrange a higher salvage price, or did you just say, "Your claims are too high and will have to come down somewhat," and finally agreed on so much for them, \$7,000, or whatever it was?

Col. GOETZ. It was a flat sum that we deducted as to the three claims, without reference specifically to any rate per ton.

Mr. GRAHAM. I see.

Col. GOETZ. Although Mr. Bergenstein made his figures on a ton basis.

Mr. GRAHAM. Bergenstein was a junk man, wasn't he?

Col. GOETZ. He was a metal dealer in Chicago. I do not know whether you would call him a junk dealer or not.

Mr. GRAHAM. Wasn't he a secondhand metal dealer?

Col. GOETZ. Really, I do not know.

Mr. GRAHAM. What was his official position down here?

Col. GOETZ. He had charge of the sales of surplus stocks.

Mr. GRAHAM. Sales of surplus metal stocks?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Of all kinds, or just junk?

Col. GOETZ. I really do not know. I suppose he had all sorts of metals.

Mr. GRAHAM. Were you gentlemen supposed to refer to him matters about price?

Col. GOETZ. Well, our board then was just in the state of organization. We conferred with Mr. Bergenstein and with the officers in charge of machinery and metals, and the Signal Corps, whenever we wanted information. They were supposed to have experts.

Mr. GRAHAM. Were you present at the conference between Mr. Stein and Mr. Bergenstein when the former came down here?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. All of it?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Bergenstein then said he thought \$2,800 would be about right?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. And he had stated \$25,000 before?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Then there wasn't anything very much for you to do, when the expert had said \$2,800, but almost take his word for it, was there?

Col. GOETZ. I could not do anything else, because I am not a metal expert.

Mr. GRAHAM. It did not matter what you thought about it?

Col. GOETZ. Well, on general principles I tried to get all out of the claim I could. As I said before, I started with \$12,000, and we jockeyed down to \$4,500.

Mr. GRAHAM. He is a pretty good jockeyer, isn't he, this man Stein?

Col. GOETZ. I should say so.

From my knowledge, gained since I have been connected with the board, there is no market value for dimension metals, lumber, leather, or textiles.

Mr. GRAHAM. Now, Col. Goetz, just a moment. Are you stating this from your own knowledge?

Col. GOETZ. Well, from my experience in handling all these commodities there is no market for dimension metal, lumber, textiles, or leather. If you can happen to find a concern who can use the sizes or the weights that you have, you can get a good price for it; but if it is put up to a dealer or speculator, and if you want to do business with him, you have to sell it to him at his price. That is my experience since I have been on the board.

Mr. GRAHAM. Well, have you observed any disposition among these gentlemen who are trying to settle their claims down here with the claims board to club together, or, say, confederate their interests in these matters? Have you observed that when you have tried to sell salvage material that there seemed to be a general consensus of opinion among the men in that business that they did not want to take it, but wanted to fix the salvage value low?

Col. GOETZ. Well, my experience has been just in line with this claim. When we send out inquiries to the different steel men, or for any other commodity, the replies we get are very unsatisfactory.

Mr. GRAHAM. And yet the stuff that these same outfits are producing is higher to-day than it was when the armistice was signed.

Col. GOETZ. Well, I have no doubt that many of these commodities are higher. I know that some of them are, but do not know about them all. We never made very much progress until I got a metal man on my board.

Mr. GRAHAM. When did you get him?

Col. GOETZ. About the 1st of August, 1919.

Mr. GRAHAM. Who is he?

Col. GOETZ. Buxton.

Mr. GRAHAM. Where did he come from?

Col. GOETZ. Worcester, Mass. He is an ex-service man.

Mr. GRAHAM. Have you been doing any better with these claims since?

Col. GOETZ. Well, it would depend from what standpoint it was judged and who passed judgment on it, as to the success or failure.

Mr. GRAHAM. Is Mr. Bergenstein still down there?

Col. GOETZ. No, sir; he has gone back to Chicago. The way we operate now is, if we have a metal claim, the contractor comes in when we order him, and if we are not satisfied with the values placed on the materials we get outside concerns to make any bids on it that we can.

Mr. GRAHAM. Of course I was going to ask you if any of this stuff was offered for sale to the general public, but you have nothing to do with that.

Col. GOETZ. We get some outside party to make a deal with the contractor for the benefit of the Government, and the amount of his claim is amended accordingly.

Mr. GRAHAM. While you are on the stand, it might be well to ask you something about leather: Were you in the leather department when they were buying leather goods?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Did you make a good many contracts yourself?

Col. GOETZ. Hundreds of them. We issued the purchase order, and another department made the contracts.

Mr. GRAHAM. Did the requisitions come to you?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. From this country and abroad, both?

Col. GOETZ. They came through the Requirements Branch.

Mr. GRAHAM. Through the Requirements Branch in connection with the Division of Purchase, Storage and Traffic?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Well, did you have the passing upon them, so that you could say whether requisitions should be filled or the order issued?

Col. GOETZ. Well, we had no such authority, but sometimes we exercised it.

Mr. GRAHAM. Well, what about requisitions for leather goods that came in there? Did you issue purchase orders for all of them?

Col. GOETZ. No, sir.

Mr. GRAHAM. Were they excessive, in your judgment?

Col. GOETZ. Very excessive. We had requisitions for leather goods that would have required in their manufacture 300,000 more hides than the entire take-off in the United States for one year.

Mr. GRAHAM. Well, you have been a leather man yourself?

Col. GOETZ. Yes, sir. I have been in the leather business all my life in the manufacture of leather goods.

Mr. GRAHAM. What did you do with those requisitions when they came in there?

Col. GOETZ. Well, after a great deal of trouble we held them up. For instance, we had a requisition for \$21,000,000 worth of ambulance harness parts, and we purchased about 10 per cent or 15 per cent of that.

Mr. GRAHAM. Where did they come from; the Medical Section?

Col. GOETZ. The ambulance harness requisitions?

Mr. GRAHAM. Yes.

Col. GOETZ. They came through the Requirements Branch.

Mr. GRAHAM. Were all those requisitions coming from the same Requirements Branch?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. And was the Requirements Branch, or they must necessarily have had knowledge of the bulk of the things that were going through there?

Col. GOETZ. It is my impression that the requirements were figured on the man power rather than the horsepower of the Army. And that slight, if any, allowance was made for motorization. Now, gentlemen of the committee, that is my opinion, but I am not a military expert.

Mr. GRAHAM. All you knew was that if the requisitions received had been filled there would not have been hides enough in the United States to fill them?

Col. GOETZ. No, sir; they would have been 300,000 hides short—and would not have had hides for any other purpose.

Mr. GRAHAM. As it was, do you know what other orders were placed; what proportion of the total output of hides were consumed by them, or would have been consumed if the contracts had been completed?

Col. GOETZ. What per cent?

Mr. GRAHAM. In other words, what per cent of the hides of the country was the Army using for its contracts?

Col. GOETZ. Well, I should judge 75 per cent.

Mr. GRAHAM. That included shoes, I suppose?

Col. GOETZ. All purposes.

Mr. GRAHAM. Leaving 25 per cent for the ordinary consumption?

Col. GOETZ. For the civilian trade. All of the leather factories throughout the United States, whether they made shoes, or belting, or harness, were working almost exclusively on war work.

Mr. GRAHAM. That is one reason, I assume, why shoes are so high, footwear?

Col. GOETZ. Well, I would not like to say as to that, or make that statement. They are taking our hides in Europe, and bidding all sorts of prices; and as long as that condition exists, leather is going to remain high.

Mr. GRAHAM. Now, I have digressed from what you started to say. Is there any further statements you want to make about the Stein-Burn business or anything else?

Col. GOETZ. I want to make myself plain on the salvage value of dimension material: As I see it, it has no market value. If this material, whether it be leather, steel sheets, tin plate, clothing, were in the original piece it would have a market value, of course; but when it is cut to dimension it is difficult to dispose of. As I stated before, if you can find a manufacturer who can use these special sizes, and is in need of them, you can get a good price. But if they have to go into the hands of a dealer or a series of dealers, they buy the material on speculation, and they buy it to make a big profit.

Mr. GRAHAM. Does that complete your statement?

Col. GOETZ. That is all I have to say.

Mr. GRAHAM. Mr. Jefferis, do you wish to ask any questions?

Mr. JEFFERIS. Colonel, as I understand you, the Stein-Burn claim was one of the first that come up when your department was organized?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. And your particular board at that time had no metal expert?

Col. GOETZ. I think that Mr. Buxton came into the organization just about that time; and I believe he was with me at the time we had the conversation with Mr. Bergenstein, Mr. Stein, Maj. Byron, Capt. Benke, and myself.

Mr. JEFFERIS. Mr. Bergenstein, before you had called Mr. Stein to Washington, had told you that there was \$25,000 that should be cut off of this Stein-Burn claim?

Col. GOETZ. Well, as I remember his words, they were that there was \$25,000 covered up in this metal that we should get.

Mr. JEFFERIS. And then, after Mr. Stein came down here to Washington, Mr. Bergenstein took the position that it was \$2,800 that was covered up in the claim?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know whether or not Mr. Bergenstein and Mr. Stein, of the Stein-Burn Co., were acquainted?

Col. GOETZ. No, indeed; I do not.

Mr. JEFFERIS. They were both from Chicago?

Col. GOETZ. Both from Chicago.

Mr. JEFFERIS. So you, not being a metal expert, went back to give battle with Mr. Stein on the claim?

Col. GOETZ. Just to arbitrarily get all I could out of it. I could not reconcile the two statements and I was not satisfied.

Mr. JEFFERIS. And you did succeed in getting what?

Col. GOETZ. In getting, all told, \$7,200.

Mr. JEFFERIS. On the three claims?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Did Mr. Stein, of the Stein-Burn Co., offer to turn over this property to the Government?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Did he do it more than once or not?

Col. GOETZ. A number of times.

Mr. JEFFERIS. Do you think he was sincere in that or bluffing?

Col. GOETZ. I doubted it at the time.

Mr. JEFFERIS. Now, those firms that you wrote to, telling them that you had this stuff for sale, were they dealers or were they people who would use this material in their business if they bought it?

Col. GOETZ. They were dealers and manufacturers.

Mr. JEFFERIS. Do you know what ones were manufacturers that might possibly have had use for the material in their business of manufacturing?

Col. GOETZ. Well, I presume that the National Enameling & Stamping Co., or the American Can Co. could have used it.

Mr. JEFFERIS. With regard to this leather, you were at the head of the procurement division, is that it?

Col. GOETZ. We had the harness leather and rubber branch.

Mr. JEFFERIS. That is, you had charge of procuring it?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. With which you were directed to procure by the requirements division?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Could you give this committee, Colonel, some idea as to who constituted this requirements branch that made these requirements upon you that you have mentioned in answer to Mr. Graham's questions?

Col. GOETZ. Well, I was in Jeffersonville. The requirements came from Washington, from the requirements board here. I believe that some of the requirements were figured in Jeffersonville, although I am not sure.

Mr. JEFFERIS. Well, do you know what persons in the requirements branch, for instance, were responsible for the orders they sent down to you to procure?

Col. GOETZ. Maj. Deveraux had charge of the requirements branch in Washington prior to the armistice.

Mr. JEFFERIS. Was he in charge of that branch in Washington during the entire war?

Col. GOETZ. Yes, sir. Did you say during the entire war?

Mr. JEFFERIS. During the entire time that you were here?

Col. GOETZ. I think he had charge of that particular branch during the time I was here. I think we were transferred to Washington the last of July, 1918.

Mr. JEFFERIS. If you had gotten real active, as the procuring part of the Government in this respect, it would have taken all the hides in the United States and 300,000 more to fill these orders received from the requirements branch, would it?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. But you tried to hold that down, and you think you held it down to 75 per cent of the production of hides?

Col. GOETZ. I would not like to take any credit for that, sir. I think my chief was more instrumental in that than any other person.

Mr. JEFFERIS. Who was that?

Col. GOETZ. Maj. J. C. Byron.

Mr. JEFFERIS. Well, anyhow, your department, with Maj. Byron at the head of it?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. And the orders that were placed through the procurement division with regard to this leather, you think, would take 75 per cent of the production of hides for 1918?

Col. GOETZ. I believe it would.

Mr. JEFFERIS. In what line of commodities of finished products would these requirements be manufactured into?

Col. GOETZ. Into artillery harness, ambulance harness, H. T. G. harness, cart harness, saddles, bridles, aperajos, halters, and many other articles of personal and horse equipment made in whole or in part of leather.

Mr. JEFFERIS. What is an aperajo?

Col. GOETZ. That is a harness that is used on a mule that carries a pack.

Mr. JEFFERIS. Am I right, Colonel, that these orders for the procurement of these lines of harness that you have mentioned here and similar things would take 75 per cent of the hides of the United States?

Col. GOETZ. Taken in connection with shoes for the requirements of the Army.

Mr. JEFFERIS. Do you know how many saddles, in a general way, were ordered?

Col. GOETZ. About 900,000 McClellan saddles.

Mr. JEFFERIS. Any other kind?

Col. GOETZ. Well, there were some stock saddles, I think about 45,000 all told—or Wild West saddles—you had better use that term.

Mr. JEFFERIS. Any Artillery saddles?

Col. GOETZ. Well, the McClellan saddle is used by the Artillery.

Mr. JEFFERIS. You would think about 945,000 saddles, altogether?

Col. GOETZ. About that amount.

Mr. JEFFERIS. Do you know about what amount of harness was actually ordered or contracted for, all told?

Col. GOETZ. All told, I estimate about 1,000,000 sets.

Mr. JEFFERIS. All kinds of harness?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. That would be sets of harness as distinguished from what bridles, together with these saddles, or anything of that kind?

Col. GOETZ. Single sets. There were 500,000 sets of H. T. G. harness authorized.

Mr. JEFFERIS. What kind of harness is that?

Col. GOETZ. Honest to God harness.

Mr. JEFFERIS. I suppose there were a number of bridles procured for those sets?

Col. GOETZ. Thousands and thousands of them. And saddlebags and field equipment.

Mr. JEFFERIS. Do you know what amount of these saddles was finally manufactured?

Col. GOETZ. I do not; I have never been able to get hold of an intelligent record. I do not believe that they have an accurate counting of the stock.

Mr. JEFFERIS. Do you know whether or not this requirements branch—what did you call it?—of the Purchase, Storage and Traffic Division?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know whether it kept any record as to what the requirements were that they were sending to your department?

Col. GOETZ. Oh, no doubt they kept a record of it. We had that record in our office.

Mr. JEFFERIS. But they kept piling them up in there, pretty nearly every day, didn't they?

Col. GOETZ. Yes; we had more orders than we could get manufacturers to accept, very often.

Mr. JEFFERIS. Do you know about how many horses they had over in France at any time in the Army?

Col. GOETZ. I have a statement here somewhere. In the United States and France they had 104,000 Cavalry horses, 146,000 Artillery horses, 123,000 draft mules, 18,000 pack mules. That is the total number of animals in the United States and France.

Mr. JEFFERIS. It is the total in the United States and France, too?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. That list does not agree with a statement we have here in our records. But I understand that the details you have given are the total?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Well, that is all I care about—is the total.

Col. GOETZ. We had a very small number of horses in France, less than 100,000 altogether; to be exact, we had 92,000 horses and mules in France.

Mr. JEFFERIS. The total number that the Government had in the United States and in France—the details you have given up—figure up 391,000.

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. At what time did you get your tabulation of the horses and mules, Colonel?

Col. GOETZ. July, 1918.

Mr. JEFFERIS. How late was that?

Col. GOETZ. We got these while the requirements were pending and we were consulting with various officers about the expected quantities of saddles that were ordered, and of other supplies.

Mr. JEFFERIS. And you were trying to hold it down?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know who Mr. Deveraux was?

Col. GOETZ. Mr. Deveraux is a lawyer. I believe he was employed by the American Telephone & Telegraph Co.

Mr. JEFFERIS. And he had become, then, the chief or head of the requirements branch?

Col. GOETZ. Yes, sir. I think the information came to him through other channels and he sent it to us—distributed it to the various contracting officers.

Mr. JEFFERIS. Do you know who else was in this branch with Mr. Deveraux?

Col. GOETZ. Indeed, I do not know. I knew Maj. Deveraux very well.

Mr. JEFFERIS. The requirements for leather goods would be under his signature, would it?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Under Maj. Deveraux's signature?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Did you ever take up with him anything about having so many saddles for that number of horses?

Col. GOETZ. Yes, sir. And I was up at the General Staff and saw one or more members of the General Staff on the matter of the excessive requirements.

Mr. JEFFERIS. With what success?

Col. GOETZ. With no success whatever. They told me it was my duty to purchase this material.

Mr. JEFFERIS. In other words, it was your duty to obey orders?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know with what member of the General Staff you talked?

Col. GOETZ. I have really forgotten; but with some officers in the State, War, and Navy Building.

Mr. JEFFERIS. When you took it up with Maj. Deveraux, what was the result?

Col. GOETZ. Well, I believe that Maj. Deveraux thought that the quantities of equipment ordered were excessive, but he could only follow orders. He was not a practical man.

Mr. JEFFERIS. I suppose during the time that this requirements branch was sending in these requirements to your section the cost of leather was still going up?

Col. GOETZ. Well, the price of leather was fixed through the War Industries Board.

Mr. JEFFERIS. That is, fixed in so far as what the Government bought?

Col. GOETZ. Well, I believe that applied to all sales of leather.

Mr. JEFFERIS. What was the price that was fixed?

Col. GOETZ. Harness leather was 70 cents a pound, and russet harness, I believe, was \$1.05, and russet backs were \$1.05. The prices of various leather were fixed by the War Industries Board. The price of hides was also fixed.

Mr. JEFFERIS. Well, for instance, about what was the prewar price of russet leather—before this price was fixed—do you know, Col. Goetz?

Col. GOETZ. About 48 cents to 50 cents a pound for black harness leather.

Mr. JEFFERIS. That would be for what you call harness leather?

Col. GOETZ. Yes, sir; black harness leather sets.

Mr. JEFFERIS. How about russet leather; what was the prewar price for it, do you remember?

Col. GOETZ. I could not tell you without referring to our records.

Mr. JEFFERIS. Was it considerably less than \$1.05 a pound?

Col. GOETZ. I should think it was in the neighborhood of 85 cents or 90 cents a pound; or, at least between 80 cents and 90 cents a pound.

Mr. JEFFERIS. What was the russet leather used for?

Col. GOETZ. The russet leather was used to manufacture saddles, artillery harness, leather scabbards, bayonet scabbards, bridles, and the general line of equipment, including cases to carry instruments in.

Mr. JEFFERIS. Was the russet leather and this black harness leather suitable to make shoes?

Col. GOETZ. The same hides would be used to make leather suitable to make shoes, but after it was converted into harness leather it was unsuitable for shoes.

Mr. JEFFERIS. In other words, when the hides are converted into harness leather it ceases to be shoe leather for any purpose?

Col. GOETZ. I believe there was a time after the armistice was signed when an attempt was made to use some of the russet harness leather backs for shoe leather, but I never heard whether it was successful. There was also an attempt made to use some strap leather backs and sides for the lighter sole leather.

Mr. JEFFERIS. Do you know how that experiment worked out?

Col. GOETZ. Well, to some extent it was successful, I believe.

Mr. JEFFERIS. But, in the main, as you would understand it as a leather man, by utilizing hides for russet leather and black leather for harness, that would practically take it out of the realm of shoe leather?

Col. GOETZ. Yes, sir; except for welting—the strip of leather that the sole is attached to, and that is a strip about a half an inch wide, here [indicating on shoe].

Mr. JEFFERIS. What is the fact as to a price still being fixed on hides and leather or not, Col. Goetz?

Col. GOETZ. Well, the price on hides and leather was withdrawn or has expired, and I do not know which. The price is higher to-day than I have ever known it in the history of the trade.

Mr. JEFFERIS. It is an open market, however?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. From what source do the hides get to the leather manufacturers in this country, largely?

Col. GOETZ. From what source?

Mr. JEFFERIS. Yes.

Col. GOETZ. Well, they are largely native hides, but a great many come from South America. For quite a while, I believe, there was an embargo on hides and for some reason or another they were unable to bring them in.

Mr. JEFFERIS. Then we get considerable hides from South America, do we?

Col. GOETZ. A great many.

Mr. JEFFERIS. In this country do the hides mostly come from the packers, or from whom?

Col. GOETZ. Well, I presume they come largely from the packers, although there are hides known as country and that sell cheaper than packer hides.

Mr. JEFFERIS. That is, where the hides are taken off the animal by the farmer?

Col. GOETZ. By the country butcher.

Mr. JEFFERIS. Or the butcher?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. And their theory is that the hides are not taken off the animal as carefully, I take it?

Col. GOETZ. Well, they are heavier. They are cut and not as carefully prepared as packer hides, and they sell for correspondingly less price.

Mr. JEFFERIS. Do you have any experience in the actual tanning of hides?

Col. GOETZ. Not directly.

Mr. JEFFERIS. In other words, your business in the past has not been in the manufacture of leather from the hides?

Col. GOETZ. No; not the tanning of leather.

Mr. JEFFERIS. In other words, your business in the past has brought you into the business of purchasing leather from the tanner?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. How much higher do you think leather is now than it has ever been before?

Col. GOETZ. Along about 1890 black harness leather sold at from 18 cents to 25 cents a pound—black harness leather sides. To-day I think the average price for black harness leather is 90 cents a pound, and I have heard of some quotations at \$1 a pound.

Mr. JEFFERIS. Well, has the Government any considerable amount of black harness leather on hand as salvage, or not?

Col. GOETZ. My recollection is that the Government has now in its possession about 1,800,000 pounds of black harness leather.

Mr. JEFFERIS. Is it finding any market?

Col. GOETZ. And they expect to sell it during the coming month. I might venture to state at this point that we have had several sales of leather on which we have made money for the Government.

Mr. JEFFERIS. Now, that black harness leather, of course, will only be available, even after it is sold, in the manufacture of harness?

Col. GOETZ. Harness and straps.

Mr. JEFFERIS. It would not in any way be available for shoes?

Col. GOETZ. No, sir.

Mr. JEFFERIS. And russet leather—has the Government any amount of surplus russet leather on hand, such as you make saddles and bridles of?

Col. GOETZ. I should say that, all told, the Government has some \$3,000,000 to \$4,000,000 worth of russet leather, principally at Rock Island.

Mr. JEFFERIS. Will any of that be placed on the market, or do you know?

Col. GOETZ. It is to be sold next month in Chicago.

Mr. JEFFERIS. And that will only be available, after it is sold, in the manufacture of such things as saddles and bridles?

Col. GOETZ. Well, I believe strap leather can be used for shoes to some extent; it can be refinished and used for shoes.

Mr. JEFFERIS. Has the War Department any surplus shoe leather on hand?

Col. GOETZ. Not that I know of.

Mr. JEFFERIS. Has it any surplus shoes on hand—that is, in your department?

Col. GOETZ. No, sir; I do not believe the Government has much, if any, surplus stock of shoes on hand. They have recently been in the market to purchase.

Mr. JEFFERIS. Then, by the War Department's activities in ordering these saddles and harness and such things as you have described, you feel, do you, Colonel, that about 75 per cent of the production of hides in this country went into that kind of leather?

Col. GOETZ. I believe that about 75 per cent was used for that purpose. That is just my judgment. I have no figures to support it.

Mr. JEFFERIS. That would only leave about 25 per cent for other purposes?

Col. GOETZ. Yes, sir; for civilian purposes.

Mr. JEFFERIS. Even harness, for civilian purposes?

Col. GOETZ. During the war period there was very little harness manufactured for civilian use; very little. Nearly all the factories were busy on war work, and many of them 100 per cent.

Mr. JEFFERIS. Did you, while at the head of your department, go into the question whether there were any hides being stored by packers or tanners, hoarded in a way?

Col. GOETZ. I did not.

Mr. JEFFERIS. Do you know whether there was any department of the Government that made any investigation of that matter?

Col. GOETZ. I do not.

Mr. JEFFERIS. Did you go into any question while you were in the procurement division to see whether the tanners were controlled in any way by the packers in the hide situation?

Col. GOETZ. Well, you know that a number of the packers have their own tanneries, but I do not believe that they control the leather industries of this country.

Mr. JEFFERIS. You do not believe that they do?

Col. GOETZ. No, sir; I do not believe that they do.

Mr. JEFFERIS. You say that, do you, from your experience in the leather business all these years?

Col. GOETZ. Yes, sir. They may control the price of hides—they may do that.

Mr. JEFFERIS. But you do not know that?

Col. GOETZ. No, sir.

Mr. JEFFERIS. Well, there have been certain charges made, and I was trying to get your view on it. Then, as you figure, or in your opinion, in its going to take some time for the price of leather to come down in this country?

Col. GOETZ. Some time for the price of leather to come down in this country; yes, sir. As long as Europe keeps bidding for our leather, and are willing to take our money and pay any price for leather and hides, in my humble judgment it is going to continue to be high.

Mr. JEFFERIS. You mean as long as they can borrow money from this country with which to buy our hides?

Col. GOETZ. Exactly so.

Mr. JEFFERIS. Can you give us any idea as to about what amount of hides or leather has been imported into this country per year?

Col. GOETZ. Do you mean normally, or during the war period?

Mr. JEFFERIS. Yes; normally.

Col. GOETZ. Well, I do not think that there was any leather imported. There was none that I know of. There was a small lot that I heard of during the war period that came from Australia. There was more, I understood, at that time, available, but on account of lack of shipping they could not get it in. But that would be a very small percentage of the quantity needed.

Mr. JEFFERIS. Can you give us any idea as to the importation of hides into this country?

Col. GOETZ. Well, they tried to get all the South American hides that were obtainable, and I believe they had to get permits through the tanners' council.

Mr. JEFFERIS. Who had to get permits?

Col. GOETZ. I think the individual tanner; or they were obtained from the tanners' council.

Mr. JEFFERIS. What is the tanners' council?

Col. GOETZ. The tanners' council is an organization that, I believe, worked in connection with the War Industries Board; I am not sure about that now.

Mr. JEFFERIS. Well, who would get the permits for hides to come into America?

Col. GOETZ. Who would get the permits?

Mr. JEFFERIS. Yes.

Col. GOETZ. It would be gotten by the various tanners.

Mr. JEFFERIS. They would get them from the War Industries Board through whom?

Col. GOETZ. I believe that was the manner of the procedure. But that was entirely out of my particular line, and I would not like to go on record as making that as a positive statement.

Mr. JEFFERIS. Do you know whether the importation of hides was in any way altered or not during the war?

Col. GOETZ. I believe it was.

Mr. JEFFERIS. Do you know how and in what manner?

Col. GOETZ. England was taking large quantities of South American hides, and I believe there was some controversy among the officers in charge of the hide situation as to the allocation of these hides.

Mr. JEFFERIS. In other words, as to how many should be permitted to come into the United States?

Col. GOETZ. As to how many should go to England. Mr. Henry Boyd, of the War Industries Board, I believe, had charge of that.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you wish to ask any questions?

Mr. GARRETT. Colonel, do you think that the policy of fixing the price of leather during the war was a good one?

Col. GOETZ. I do.

Mr. GARRETT. Why?

Col. GOETZ. Because I believe if the Government had not fixed the price of leather and hides that prices would have advanced very much more, for the reason that the demand exceeded the supply.

Mr. GARRETT. From your knowledge of the conditions of the leather trade at the time, do you think that the prices fixed were fair?

Col. GOETZ. I do.

Mr. GARRETT. From the consumers' end of it as well as from the Government's end of it? Or, inasmuch as you say fair, I suppose you mean fair to all parties.

Col. GOETZ. I mean fair to all parties concerned.

Mr. GARRETT. Do you think, or do you care to express an opinion, that the requisitions made were excessive; that the requisitions made for leather by the various departments or the various bureaus of the War Department were excessive, or do you care to express any opinion about that?

Col. GOETZ. We regarded them as excessive. On the other hand, if they had ever had an Army of 5,000,000 men, I do not believe the quantities would have been excessive.

Mr. GARRETT. Did you understand at the time that they were making these requisitions on a 5,000,000 Army basis?

Col. GOETZ. I have heard that as the current report, you know, through the department, but I have no official knowledge of it.

Mr. GARRETT. You have no official knowledge in regard to it?

Col. GOETZ. No, sir.

Mr. GARRETT. I believe you stated you did not know what was the amount of orders that had been filled, or did you state that?

Col. GOETZ. I have no knowledge of the amount of those orders that have been actually filled.

Mr. GARRETT. Have you had to do with the settlement of any of the leather contracts since the armistice was signed?

Col. GOETZ. Very much of them; yes, sir.

Mr. GARRETT. Have you had any trouble of any great consequence about it?

Col. GOETZ. Well, you know just after the armistice was signed there was a general slump in the value of all commodities. The manufacturer, the merchant, and the consumer were looking forward to the prewar period.

Mr. GARRETT. Looking back to what?

Col. GOETZ. Looking back to prices of the prewar period. And there was a disinclination to trade, or to buy, and those settlements were very difficult to make even on the basis of the very liberal Government allowances. For instance, we had to take back black harness leather on which the Government allowance was 15 per cent. We had to take back large quantities of this russet leather, that we spoke of awhile ago, which the Government's allowance was from 25 per cent to 50 per cent. The contractors were disinclined to take it. Fortunately for those who did take it over and who were financially able to take it over, the advance in the market price proved a good trade for them and they made money.

Mr. GARRETT. And the Government will lose nothing on that which it had to take over?

Col. GOETZ. The Government has made money on its sales.

Mr. GARRETT. Of leather?

Col. GOETZ. Yes, sir. I believe it has made \$300,000 or \$400,000 on the Boston sale.

Mr. GARRETT. Just one other question about the leather situation: You compared the price in 1890 with present prices?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Was there any particular reason for taking the 1890 price?

Col. GOETZ. Well, I was getting the lowest price and then the high price.

Mr. GARRETT. That was the lowest price in 1890?

Col. GOETZ. Yes, sir. That was a time when I sold wheat for 45 cents a bushel and corn for \$1 a barrel.

Mr. GARRETT. That was the low-water mark?

Col. GOETZ. The lowest price that I can remember.

Mr. GARRETT. Do you remember about the prices immediately preceding the war?

Col. GOETZ. Yes, sir.

Mr. GARRETT. I mean now, before the European war broke out; say in 1913. Do you remember the prices then?

Col. GOETZ. Yes, sir; about 35 cents a pound for black harness leather.

Mr. GARRETT. I suppose that after the outbreak of the war in Europe and before we had entered the war, the market had been stimulated?

Col. GOETZ. Oh, yes.

Mr. GARRETT. Immediately preceding our entrance into the war, say 1916, do you remember about the price of leather?

Col. GOETZ. Black harness leather was worth from 55 cents to 60 cents a pound. The first order for harness leather that was given out by the committee of the War Industries Board, to which I was adviser, was given out on the basis of 60 cents a pound.

Mr. GARRETT. Now, Col. Goetz, leaving the leather situation and coming back for two or three questions in regard to this Stein-Burn claim: As I understand it, you conducted the negotiations that lead to the final settlement, and your recommendations were accepted absolutely by the board?

Col. GOETZ. Yes, sir. I conferred with the board before I signed up with Mr. Stein, and they unanimously agreed to that settlement.

Mr. GARRETT. Do I understand that you had the benefit of the advice of Mr. Buxton upon this particular claim?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Was there any explanation given you by Mr. Bergenstein as to his change of opinion on the amount?

Col. GOETZ. Well, I had in mind, you know, to ask him how to reconcile his two statements, but I thought best not to do it.

Mr. GARRETT. You did not make any request of him on that?

Col. GOETZ. No; and I doubt very much whether Mr. Bergenstein knew, when he made the statement, as to the tonnage of steel or who the claimant was. I do not believe he saw the papers or had them before him. I do not believe he knew who the claimant was.

Mr. GARRETT. Oh, you think he did not know who the claimant was?

Col. GOETZ. I do not think so.

Mr. GARRETT. Did he make any personal inspection out there that you know of?

Col. GOETZ. Of the steel?

Mr. GARRETT. Yes.

Col. GOETZ. None that I know of.

Mr. GARRETT. Did you?

Col. GOETZ. I did not.

Mr. GARRETT. You were never in Chicago in connection with this claim?

Col. GOETZ. No; not in connection with that claim.

Mr. GARRETT. You, of course, thought this was a fair settlement or the best that you could get?

Col. GOETZ. It was the best I could get. I do not know whether it was a fair settlement or not. There was a doubt in my mind or I would never have insisted on a larger salvage value.

Mr. GARRETT. Well, I meant, of course, your final settlement.

Col. GOETZ. It might be possible if we had had a larger organization and had had time to shop around that we might have gotten more money out of it. But, on the other hand, if there had been an unfavorable turn in the market we might have gotten left.

Mr. GARRETT. You settled a great many claims?

Col. GOETZ. Yes, sir; a great many of them.

Mr. GARRETT. Do you happen to have in mind, in a general way, the general amount of salvage reductions which you have secured in the settlement of the various contracts you have dealt with?

Col. GOETZ. I was hoping, sir, that you would not ask me that question.

Mr. GARRETT. Well, why were you hoping that? Are you unable to give specific information, or is there some information otherwise?

Col. GOETZ. Our board has been passing on these claims for a period of a little over 60 days. We have handled, on a salvage basis, 150 to 200 claims, and we have deducted nearly \$1,000,000 from the claims that were sent up by the zone—to be exact, to date it is \$930,000.

Mr. GARRETT. That is, your board has reduced the zone board's findings by that amount?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Did you have anything to do with the settlement of the American Can Co. claim?

Col. GOETZ. I did not.

Mr. GARRETT. Or the National Enameling & Stamping Co. claim?

Col. GOETZ. Yes, sir.

(Thereupon, at 1.30 o'clock p. m., the committee recessed until 2.30 o'clock p. m.)

AFTER RECESS.

(Pursuant to adjournment, the committee convened at 2.40 o'clock p. m.)

TESTIMONY OF LIEUT. COL. GEORGE H. GOETZ—Continued.

Mr. GARRETT. Mr. Chairman, when we recessed I was about to ask Lieut. Col. Goetz with reference to the National Enameling Co. claims. No questions were asked by you concerning that.

Mr. GRAHAM. You may proceed.

Mr. GARRETT. Colonel, I believe you stated you had something to do with the settlement of these claims?

Lieut. Col. GOETZ. Yes, sir; I certified to it. I and a metal expert negotiated that claim.

Mr. GARRETT. How many claims have they? Mr. Bennett has testified before the committee that they had four claims before the board, but had filed others. The first one that he mentioned was for 8 and 10 gallon round boilers.

Lieut. Col. GOETZ. I seem to have five claims here.

Mr. GARRETT. The first one that Mr. Bennett testified about was for 8 and 10 gallon round boilers.

Lieut. Col. GOETZ. What was the number of it?

Mr. GARRETT. It does not seem to be given. The claim is set out here.

Lieut. Col. GOETZ. What was the amount of the claim, what was the gross amount?

Mr. GARRETT. \$12,114.67. The contract was \$29,991.

Lieut. Col. GOETZ. The contract was what?

Mr. GARRETT. \$29,991.

Mr. GRAHAM. On what page is that?

Mr. GARRETT. Beginning on page 903. The page itself is in our record as page 904.

Lieut. Col. GOETZ. We have not had that claim. That was evidently negotiated prior to the organization of our board.

Mr. GARRETT. You have, then, no information concerning that claim which you can give to the committee?

Lieut. Col. GOETZ. No, sir.

Mr. GARRETT. The first one seems to be, according to Mr. Bennett's testimony, an enameling contract, being a general supply order, dated October 19, 1918, for 6,000 square boilers, at \$1.84 each.

Lieut. Col. GOETZ. What was the amount of that; what was the amount of his claim?

Mr. GARRETT. The claim filed by the National Enameling & Stamping Co. was \$4,152.40.

Lieut. Col. GOETZ. Nothing doing on that one.

Mr. GARRETT. The next one is claim contract 1107-C.

Lieut. Col. GOETZ. 1107-C?

Mr. GARRETT. Dated November 4, 1918, for 13,984 5, 8, and 10 gallon boilers.

Lieut. Col. GOETZ. We have not that one.

Mr. GARRETT. The amount of the claim is \$19,933.24.

Lieut. Col. GOETZ. Nothing doing on that one.

Mr. GARRETT. The next one that was brought to the attention of the committee by Mr. Bennett was for 20,000 kettles for roller kitchens, dated December 17, 1918. The number does not appear.

Lieut. Col. GOETZ. What was the amount of his claim?

Mr. GARRETT. \$10,960.61.

Lieut. Col. GOETZ. I have one here for \$10,136.61.

Mr. GARRETT. This is \$10,960.61.

Lieut. Col. GOETZ. Have you got the number of it?

Mr. GARRETT. No, sir; the number does not appear in our record, so far as I can see.

Mr. GRAHAM. Notice the second answer on page 908: "Making a total—

Mr. GARRETT (interposing). Leaving a total claim on account of tools on this particular contract of \$1,640, making the total claim \$10,136.61.

Lieut. Col. GOETZ. We have that one.

Mr. GARRETT. You have that one. Please tell the committee about that claim—what you know of it, sir.

Lieut. Col. GOETZ. That claim came to us in the usual manner and we asked a representative of the company to come in. At the same time we also asked the Chicago House Wrecking Co. to bid on these sheets, and by obtaining that bid we were able to increase the salvage allowance on the steel sheets by \$1,189.54.

Mr. GARRETT. What was the total salvage allowance?

Lieut. Col. GOETZ. I only treat the balance here—\$10,136.61. That is all the information I have here.

Mr. GARRETT. That included some claim for tools?

Lieut. Col. GOETZ. No; I think not. I think that there was an allowance for tools deducted from that previously, although I am not certain.

Mr. GARRETT. I wonder if we have that record here.

Mr. GRAHAM. Of the claim itself? You will find it on page 981—the itemized statement of claims—if that is what you want.

Mr. GARRETT. Col. Goetz, I will ask your attention to this statement contained in the committee's record on page 982, and call your attention to an item, total cost of tools, on portion of a total order for 426 kettles \$6,000, less allowance, account of order being 71½ per cent completed \$4,290, leaving a balance of \$1,710, which apparently was allowed them by the Government on the tool account.

Lieut. Col. GOETZ. Yes, sir. Those tools consisted of dies for forming these articles and after investigating it was found that they had no value other than for scrap and they were salvaged at \$20 per ton. There were 3½ tons of scrap.

Mr. GARRETT. Was there any explanation or statement in addition to what appears in our record?

Mr. GRAHAM. The final amount of \$10,136.61 is the same.

Lieut. Col. GOETZ. What?

Mr. GRAHAM. The final amount is the same.

Lieut. Col. GOETZ. Well, he really got; he got \$8,947.07; that was the final award.

Mr. GARRETT. If I understand you, Col. Goetz, the claim was reduced?

Lieut. Col. GOETZ. Was reduced by \$1,189.54; allowed for steel sheets.

Mr. GARRETT. That was the increase in the salvage value?

Lieut. Col. GOETZ. Yes, sir.

Mr. GARRETT. And of those claims that are mentioned in our record as detailed to you by me, that is the only one concerning which you have any papers?

Lieut. Col. GOETZ. If we had the numbers we could check them up.

Mr. GRAHAM. They were not numbered, Mr. Garrett, because they were simply purchase orders.

Mr. GARRETT. All informal contracts.

Lieut. Col. GOETZ. They would have a PC number.

Mr. GRAHAM. Yes; they have numbers on them. Here are the numbers. This one is PC 708.

Lieut. Col. GOETZ. Let me see if I have that PC 708. I have that one.

Mr. GARRETT. Let us see if that is one that has gone into our records. Yes; I find it has.

Mr. GRAHAM. That is the one he has been talking about.

Lieut. Col. GOETZ. \$3,402.40.

Mr. GRAHAM. 724, 712.

Lieut. Col. GOETZ. 724 and 712.

Mr. GRAHAM. And 797.

Lieut. Col. GOETZ. Those two; 797 and 908; yes, sir; yes, sir.

Mr. GARRETT. Take 708.

Lieut. Col. GOETZ. Yes, sir

Mr. GARRETT. That claim was for how much?

Lieut. Col. GOETZ. \$3,402.04.

Mr. GARRETT. For what?

Lieut. Col. GOETZ. I do not know what; something made out of tin. We got out of that \$330.18 additional allowance on tin.

Mr. GARRETT. Have you any personal connection with adjustment?

Lieut. Col. GOETZ. Yes, sir; I talked to the gentleman, happened to negotiate the readjustment of it.

Mr. GARRETT. Tell us what you remember about it.

Lieut. Col. GOETZ. We treated these claims really altogether. That is we settled them altogether and we followed the same procedure in this as we did in the other. We asked for outside bids.

Mr. GRAHAM. You will notice the total of the first claim as \$9,958.26, the second claim \$17,020.27, the third one \$3,402.40, and the last one \$10,136.61. There were four claims.

Mr. JEFFERIS. What page is that?

Mr. GRAHAM. Pages 981 and 982. The raw material values are given on those two pages, and the amounts of the four claims. That is how it confuses us, I expect. The awards, however, are not given at that place.

Mr. GARRETT. Mr. Bennett undertook to give those awards and I am just trying to find his testimony. Here is a claim, the first one mentioned by Mr. Bennett, for \$12,114.67 on which there was allowed \$9,958.26. I can not identify that.

Lieut. Col. GOETZ. How much was the amount of the claim?

Mr. GARRETT. \$12,114.67. That was for square boilers, 6,000 square boilers. What I am trying to get at regarding it is whether or not we have the awards correctly given. If I understand you, Colonel, all of these claims were—really the settlement of all of them was negotiated together?

Lieut. Col. GOETZ. Yes, sir.

Mr. GARRETT. Were they all settled at the same time?

Lieut. Col. GOETZ. I will tell you in one minute.

Mr. GARRETT. And the awards made on them at the same time?

Lieut. Col. GOETZ. There were three of them settled on July 22 and one settled September 16.

Mr. GARRETT. In all of these the allowance was salvage on the purchased material except some minor matters of tools; is that right?

Lieut. Col. GOETZ. Yes, sir. On some of the facilities there was a reduction—take this claim P. C. 4833, \$9,086.11, on which there is an allowance of 48 tons tin plate \$1,304.61; facilities \$505.13.

Mr. GARRETT. Was that special facilities that they had purchased and put in?

Lieut. Col. GOETZ. They were reduced and the salvage value on them increased.

Mr. GARRETT. You mean increased over the amount fixed by the zone board?

Lieut. Col. GOETZ. Over the amount fixed by the zone board.

Mr. GARRETT. And, of course, an increase over the amount fixed by the contractor. Did you have anything to do with the settlement of these American Can Co. contracts?

Lieut. Col. GOETZ. I did not.

Mr. GARRETT. Or the Briar Hill contracts?

Lieut. Col. GOETZ. I attached a salvage certificate to that claim for the reason that the steel sheets were disposed of, authority had been given to dispose of the steel sheets.

Mr. GARRETT. How?

Lieut. Col. GOETZ. By the organization that set up the claim.

Mr. GARRETT. You do not know about that incident exactly?

Lieut. Col. GOETZ. Unless I have Briar Hill confused with some other, I think I am right. Authority was granted by the organization that set up the claim for the firm to dispose of the sheets, so when their claim came around to us there was nothing for us to act upon.

Mr. GARRETT. You mean they were to dispose of the sheets for the Government?

Lieut. Col. GOETZ. No; they were given authority to dispose of the sheets at the price at which they were held.

Mr. GARRETT. At the price at which the Government took them over, do you mean; or, rather, not took them over, but—

Lieut. Col. GOETZ (interposing). At the allowance made by the organization that set up the claim and agreed to the claim. I do not know whether that was metals or what organization of the Army made that claim or negotiated it.

Mr. JEFFERIS. You mean, Colonel, the negotiating officer had authorized them to sell this steel?

Lieut. Col. GOETZ. His organization authorized them to dispose of these sheets on that basis.

Mr. GRAHAM. Was that before the claim was filed?

Mr. JEFFERIS. I suppose it was when they were negotiating, when the negotiating officer was making a settlement.

Mr. GRAHAM. Was that before the claim was filed?

Lieut. Col. GOETZ. That was before it came to us.

Mr. GRAHAM. So when the thing was finally settled, the sheets were already sold?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. I am interested in what you say, Colonel, about the tanners' council. That, I imagine, was one of the numerous cooperative bodies or boards of the War Industries Board, was it?

Lieut. Col. GOETZ. They worked with the War Industries Board, but just to what extent I am unable to tell you.

Mr. GRAHAM. Were they organized by the trade or were they organized by the board?

Lieut. Col. GOETZ. It was organized by the trade, and they had their representatives on the War Industries Board, as I understand it.

Mr. GRAHAM. It was universal practice, was it not?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. To organize a particular trade and then have one or more members of that trade in the War Industries Board that carried on the negotiations?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. So that at all times a representative of the trade would be present for consultation and accessible at all times?

Lieut. Col. GOETZ. Well, there were a number of gentlemen permanently identified with the leather industry that were members of the War Industries Board.

Mr. GRAHAM. Do you recall who they were?

Lieut. Col. Goetz. Mr. Henry Boyd, of the Armour Leather Co.; Mr. Smoot—there were a number of others in sheepskin and kindred lines whom I can not just recall.

Mr. GRAHAM. Did this tanners' council have authority to make restrictions and issue licenses on importations?

Lieut. Col. GOETZ. I do not know. I do not believe they had. I believe that was done through the War Industries Board.

Mr. GRAHAM. Could the War Industries Board license importations?

Lieut. Col. GOETZ. I do not know very much about the workings of the War Industries Board, but that is my impression, they did, that they obtained their authority for the exportation or importation of hides and skins through the War Industries Board.

Mr. GRAHAM. But there was some method of licensing those shipments?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. But you do not know just what the machinery was?

Lieut. Col. GOETZ. No; I do not.

Mr. GRAHAM. Was it generally understood, however, in the leather trade that nothing could come in unless it was sent through channel?

Lieut. Col. GOETZ. I think it was. I think if you would call our chief that he would give you all the information which you desire right offhand.

Mr. GRAHAM. Do you know whether, during the war, there were any restrictions placed by this tanners' council or the War Industries Board on the movement of hides or raw material into this country?

Lieut. Col. GOETZ. I do not think there was. I think they attempted to place every facility at the command of the tanners that desired to import hides because they were urgently needed.

Mr. GRAHAM. You think your chief knows more about that than anybody else?

Lieut. Col. GOETZ. If you call him, he can give you accurate information.

Mr. GRAHAM. You mean Maj. Byron.

Lieut. Col. GOETZ. Maj. J. C. Byron.

Mr. GRAHAM. During the war, as I understand you, there was a price placed upon leather?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. By the War Industries Board?

Lieut. Col. GOETZ. It was agreed to by the tanners and approved by the War Industries Board, both leather and hides.

Mr. GRAHAM. The tanners first acted on it, then the War Industries Board approved it?

Lieut. Col. GOETZ. I am not certain about the procedure.

Mr. GRAHAM. Anyhow the price was fixed?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Did that price obtain during the war?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. What was the price?

Lieut. Col. GOETZ. Seventy cents for No. 1 harness leather. They fixed the price in this way: That leather hides could not be sold above that price.

Mr. GRAHAM. Above 70 cents per pound?

Lieut. Col. GOETZ. Yes, sir; for black harness leather sides.

Mr. GRAHAM. Was there any change made in that price during the war?

Lieut. Col. GOETZ. Not to my knowledge.

Mr. GRAHAM. That was simply, as I understand it, a price to the man who wanted to buy the leather, the first price?

Lieut. Col. GOETZ. That was supposed to be a fair price, to the Government or to the civilian; it applied to both.

Mr. GRAHAM. But did they sell to the civilian trade at the same price?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Of course, the price 70 cents a pound was the price to the first buyer.

Lieut. Col. GOETZ. I believe it was generally understood that that price applied to all sales except where it was peddled out in small quantities in a retail way, where a man bought a side of leather or half a side of leather. As to that, I do not think there were any restrictions even to that.

Mr. GRAHAM. Suppose a shoe manufacturer wanted leather with which to make shoes and he bought a large amount of it; I assume that his price would be 70 cents per pound.

Lieut. Col. GOETZ. This particular kind of leather is not used by shoe manufacturers.

Mr. GRAHAM. Was that price put on only one kind of leather?

Lieut. Col. GOETZ. I believe there was a price put on many kinds of leather.

Mr. GRAHAM. Was there any put on shoe leather?

Lieut. Col. GOETZ. I think there was a price put on some kinds of shoe leather.

Mr. GRAHAM. Some kinds?

Lieut. Col. GOETZ. Yes, sir; I do not know just to what extent.

Mr. GRAHAM. But harness leather, we will say, had been sold to the jobber or to whoever wanted to buy it, the manufacturer. There were no restrictions after he got it as to what price he could sell it for, was there?

Lieut. Col. GOETZ. As I understand it, sir, no leather could be sold above 70 cents per pound, and even if a retailer bought a side of leather at a higher price it was a violation of law.

Mr. GRAHAM. How many pounds of leather does it take to make an ordinary farm harness?

Lieut. Col. GOETZ. That would depend, sir, altogether upon the type of farm harness.

Mr. GRAHAM. Take a heavy harness, such as you would sell to the farmers.

Lieut. Col. GOETZ. A double set of harness?

Mr. GRAHAM. Yes.

Lieut. Col. GOETZ. From 30 to 40 pounds; that is, cut up. That would amount to 40 or 55 pounds as it is furnished by the tanners.

Mr. GRAHAM. We will say it was 50 pounds at 70 cents a pound. That would be \$35 for raw material.

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Do you know what farm harnesses sold for during the war?

Lieut. Col. GOETZ. There were not very many farm harnesses sold during the war.

Mr. GRAHAM. They are selling now as high as—

Lieut. Col. GOETZ. The price would range from \$50 to \$75.

Mr. GRAHAM. It went higher than that, did it not, Colonel?

Lieut. Col. GOETZ. I have in mind now sales made by my own house to the civilian trade.

Mr. GRAHAM. Do you make harness?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. What is the name of your firm?

Lieut. Col. GOETZ. A. B. Goetz, Lansing, W. Va.

Mr. GRAHAM. I believe you made some 2,000 sets of harness during the war.

Lieut. Col. GOETZ. We made 2,000 sets of cart harness. We also made some halters.

Mr. GRAHAM. Do you know what the price was that was fixed on shoe leather?

Lieut. Col. GOETZ. I do not.

Mr. GRAHAM. Why can not this harness leather be used for shoes; what is the difference?

Lieut. Col. GOETZ. In the first place, black harness leather is not split. It could be used for sole leather at a point where it comes out at the back, but after it is filled full of grease and blackened it is unfit for sole leather; it would be too soft.

Mr. GRAHAM. Do you know anything about the shoe end of the purchasing game down there?

Lieut. Col. GOETZ. A little; not very much.

Mr. GRAHAM. I am curious to know about one particular thing.

Lieut. Col. GOETZ. If you would get Maj. Byron he could tell you all about it. He has it at this finger's end.

Mr. GRAHAM. Do you know about the dyeing of shoe leather so that you can tell what effect certain treatment has on leather? Now, for instance, here is an Army field shoe [handing Col. Goetz an Army shoe]; you will notice it is sort of a chocolate color. I am advised that the Government is now making that same shoe, or almost the same shoe, in russet and am told that the leather that is used in that shoe can not be used in making the russet shoes.

Lieut. Col. GOETZ. Please understand, Mr. Graham, that I am not an authority on shoes or shoe leather, but I can only speak of the

first principles of leather as applied to shoes. To make russet leather requires choice hides; there can not be any imperfections such as barb-wire scratches, grub holes, ticks, or scars, because it shows very plainly. In a black shoe that is all covered up. In the first place the imperfections to a large extent are buffed out and then blackened. Now, in my humble judgment, if a law was obtained that compelled all manufacturers to make black shoes the problem of the high cost of shoe leather would be solved.

Mr. GRAHAM. You think the russet shoe is much more expensive?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Is there anything about the practice that has been used that would, in your judgment, make that leather unfit for use in making russet shoes?

Lieut. Col. GOETZ. There are millions of pieces of leather in existence that are of that color. Perhaps I have the number too large, but certainly hundreds of thousands of pieces of leather that have been prepared for making that shoe that I am advised have been taken over by contractors and that they now say they can not use it to make russet shoes out of. That is not russet.

Mr. GRAHAM. I know it is not russet, but what have you got to make it russet?

Lieut. Col. GOETZ. You can not make this russet, "the eggs is already scrambled," and you can not change it.

Mr. GRAHAM. You can not change it?

Lieut. Col. GOETZ. No, sir.

Mr. GRAHAM. You can make another chocolate shoe out of it, a shoe colored like that?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Do you know whether the Army authorities have recently changed the color of these shoes? This, as I take it, is the regulation Army shoe that was used by the troops during this war and this other shoe which I have in my hand here is a heavy bench shoe.

Lieut. Col. GOETZ. I hear them talk about the shoes down there, but I can not speak very accurately.

Mr. GRAHAM. Do you know whether they changed the color of it?

Lieut. Col. GOETZ. I think they have been, or they were considering the changing of the color of shoes.

Mr. GRAHAM. Do you know why they changed it?

Lieut. Col. GOETZ. I do not.

Mr. GRAHAM. I understand they canceled a great many contracts for shoes like the one you have in your hand [referring to the chocolate-colored shoe] and have made a lot of new contracts for russet shoes.

Lieut. Col. GOETZ. I do not know as to that, sir.

Mr. GRAHAM. Who does know about that?

Lieut. Col. GOETZ, Maj. Byron can tell you all about that. In making russet leather you can not use hides that have the least imperfections in them, not even salt stains. They would make dark spots, but it is all right to make black leather. When I was at Jeffersonville in July, 1917, they were selling these shoes for \$2.48 or \$2.58.

Mr. GRAHAM. That shoe you have in your hand cost \$7.15.

Lieut. Col. GOETZ. The regular walking shoe cost \$2.48. They are selling the same shoe here at the quartermaster's store to-day for \$6.

Mr. GRAHAM. The purchase price of that shoe you have there is \$7.15 a pair?

Lieut. Col. GOETZ. That, I should say, was a very excellent shoe, although I am not much of a judge.

Mr. GRAHAM. The thing I am trying to get at ultimately is this: The price that was fixed upon leather did not regulate the price that the ultimate consumer was paying for his product, did it?

Lieut. Col. GOETZ. You mean in the making of the shoe? No.

Mr. GRAHAM. And harness, and that sort of thing.

Lieut. Col. GOETZ. No, sir.

Mr. GRAHAM. Why was it then, Colonel, if you know, as a leather man, why was it during the war this stuff kept rising by jumps and bounds?

Lieut. Col. GOETZ. The increase in hide values is responsible for it; the increased cost of tanning materials, the increased cost of labor.

Mr. GRAHAM. The fixed price was 70 cents per pound, was it not?

Lieut. Col. GOETZ. That is plenty high enough.

Mr. GRAHAM. What?

Lieut. Col. GOETZ. That is plenty high enough.

Mr. GRAHAM. But, in spite of the fact that the price was 70 cents per pound all the time shoes went and jumped sky-high. What did it?

Lieut. Col. GOETZ. I do not think that shoes were out of proportion with 70-cent leather, or with the price fixed for hides. When you talk about shoes, the expensive grades of shoes—

Mr. GRAHAM (interposing). Colonel, I am not asking whether they are out of proportion or not. You have said that the price was fixed at 70 cents. I judge that was early in the war.

Lieut. Col. GOETZ. No; I do not think it was.

Mr. GRAHAM. When was it?

Lieut. Col. GOETZ. Some time in the early part of 1918.

Mr. GRAHAM. During the summer and fall of 1918, during the winter, and up to the present time all kinds of leather goods have advanced abnormally, have they not?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Somebody between the first buyer and the public is jumping his price without any excuse, is he not?

Lieut. Col. GOETZ. I would not like to go on record.

Mr. GRAHAM. Of course, this is not an investigation into the high cost of living; but we admit that it is a very interesting subject, and I would like to know whether you knew anything about it.

Lieut. Col. GOETZ. During the war there was very little harness manufactured for the civilian trade, and I do not believe that during the same period shoes or other leather goods advanced out of proportion to the price fixed for the raw leather by the Government.

Mr. GRAHAM. The price fixed for the raw material was not advancing at all.

Lieut. Col. GOETZ. It was fixed at 70 cents.

Mr. GRAHAM. And it stayed there, did it not?

Lieut. Col. GOETZ. You know the shoe business is seasonable. The shoes you are buying now are made out of leather that was perhaps

bought by the manufacturer six months or a year ago; and, of course, it would be all a matter of value. It is a seasonable business, and it is done six months ahead, often a year ahead. I would like to help you out very much, but I do not know a great deal about it.

Mr. GRAHAM. You mean you would like to inform the committee about this matter?

Lieut. Col. GOETZ. Yes. If you are through with that subject there is one other point which I would like to bring up.

Mr. GRAHAM. I have one other matter I want to touch upon. In settling these various claims which you have settled since you have been on the claims board, have you met with any difficulties in adjusting these claims that arose out of the views of the zone boards? In other words, has there been any conflict of judgment about this that has interfered with the work of the bureau board of which you are a member? These matters come up to you from the zone boards and they are approved by the zone supply officer and the zone supply district board, and they come to your board and you start in to revise them. What seems to be the ordinary course of those negotiations? Does the zone board assist you in arriving at a correct determination?

Lieut. Col. GOETZ. I wish you had not asked me that question.

Mr. GRAHAM. Well, let it go that way.

Lieut. Col. GOETZ. I will answer it.

Mr. GRAHAM. Let it go that way. I do not want to put you in the hole or want anybody else in the hole. If you are willing to answer it, Colonel, I would like to have it in the record, but I do not want to embarrass you. Now, it is up to you about that.

Lieut. Col. GOETZ. We have had, along that line, a great deal of trouble with the officer that set up the claim and the contractor, and occasionally the officer that set up the claim in the presence of the contractor would take the position of acting as his attorney. I can cite you a specific case.

Mr. GRAHAM. I would be glad to have you do so.

Lieut. Col. GOETZ. The Nash Motor Car Co. had a claim amounting to three or four hundred thousand dollars that came before our board. His claim was set up by a Capt. Moore of the motors and vehicles. We noticed that there was a large amount of parts, component parts of motors that, in my opinion, and also the opinion of my associates, were the last to wear out. In other words, when the motor truck was on the scrap heap these parts were intact. These particular parts were put over on the Government. The parts that were called for every day and the parts of the motor that need replacement were retained by the contractor.

A large amount of steel on that same contract was taken over by the Government that, in my opinion, it would have been more profitable from the Government standpoint to allow the contractor to retain. Now, this officer came into our office with the contractor and took his side of it; and, by his statements, we lost any advantage we had in the settlement of that claim, or any standing that we had with the contractor to renegotiate that claim.

Now, this is one of a number of incidents. Probably some of the others are more pointed. The contractor makes the claim that we are distressing him. Your committee—I did not know whether you made the statement or not, say we are giving the Government's

property away. That is the information that has gone abroad and I do not see how we can reconcile the two statements. This board at its organization refused to be a rubber stamp. The chief, or the chairman, of this board is a civilian, and ex-Army officers, Maj. J. C. Byron, who, I believe in 1891, resigned from the Army and started in the leather business at Hagerstown and Williamsport, and he is now in companies or was associated in companies in various parts of the country. He made a fortune out of the log. I do not know of a more conscientious or upright gentleman in the whole organization. He gave his entire time to the cause during the war period. He is now at the head of the claims board. We are not here for the salary, that is, Maj. Byron and myself nor the other officers are not here for the salaries that are in it—we do not need them. We are here to protect the tax payer. That, gentlemen, is our only object. We have in our organization two attorneys, and in my experience—

Mr. GRAHAM (interposing). Who are they?

Lieut. Col. GOETZ. Mr. Smuck and Maj. Holder. They were, I believe, connected with the board previously, but not in any position of authority. I do not believe I ever met two attorneys that were more painstaking in their work than they are. Every claim that comes before that board is gone over in detail, from the chief down. Mr. Graham, it does not matter what sort of an organization you set up, there will be some mistakes creep in; you are not going to get out of it, because it is hard to beat a man at his own game.

Mr. GRAHAM. How many claims have you heard there, Colonel, since you have been working there?

Lieut. Col. GOETZ. From 150 to 200 have come before our board; that is, before me as salvage member of the board. There was, in all, about 10,000, 5,000 of which were settled without any cost to the Government. The remaining 5,000 to date has cost the Government about \$90,000,000.

Mr. GRAHAM. What part of them have been settled?

Lieut. Col. GOETZ. About 90 per cent.

Mr. GRAHAM. How long a time have you taken in adjusting those claims?

Lieut. Col. GOETZ. A little over 60 days.

Mr. GRAHAM. Then, there have been about how many go through your hands a day?

Lieut. Col. GOETZ. We settled from four to six.

Mr. GRAHAM. From four to six?

Lieut. Col. GOETZ. That is, that came up to us for salvage. All the claims do not come up to us; they are settled in Maj. Byron's office; they are passed in Maj. Byron's office.

Mr. GRAHAM. You only handle those on which there is a salvage value?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. Is that the only action that the bureau board takes on these claims?

Lieut. Col. GOETZ. We treat overhead and special facilities and salvage, or any other item that we think is wrong.

Mr. GRAHAM. There are a lot of them that never get to the board, though?

Lieut. Col. GOETZ. A lot of them; yes.

Mr. GRAHAM. Who passes on those?

Lieut. Col. GOETZ. Maj. Byron and his assistants.

Mr. GRAHAM. Personally?

Lieut. Col. GOETZ. Yes, sir.

Mr. GRAHAM. They only refer such claims to you as he thinks should be investigated about salvage or something else?

Lieut. Col. GOETZ. Yes, sir. There is one more thing that might be of interest to you: When we were speaking about leather a while ago, I meant to mention the situation at the Rock Island Arsenal. At that arsenal there is, I think, about \$2,000,000 worth of leather, and since the armistice was signed they have made persistent efforts to cut up that leather for Army equipment. They keep a man in Washington who is looking after that part of the business all the while to supply those folks out there with work; and it has been a hammer-and-tongs proposition to get this leather declared surplus so that it could be sold and released for commercial use.

Mr. GRAHAM. And it has been released, has it?

Lieut. Col. GOETZ. Yes, sir; it is to be sold next month at Chicago, or at least a part of it is.

Mr. GRAHAM. Is that the only place in the country where there is any leather?

Lieut. Col. GOETZ. They have a lot of leather at Jeffersonville.

Mr. GRAHAM. Has that been released?

Lieut. Col. GOETZ. I believe so; yes, sir.

Mr. GARRETT. Colonel, beginning on page 863 of our record there are set out a series of purchase orders issued to the Briar Hill Steel Co., and it appears from the testimony that they have charged the Government with 9,267 tons of ingots at \$48.17 per gross ton and that they have a salvage amount of \$31.57 per ton. They filed a claim on ingots alone for \$153,832.20. Do you personally remember anything about that?

Lieut. Col. GOETZ. I want to correct my statement on Briar Hill. Those sheets and ingots were not disposed of, but Mr. Buxton approved the salvage value as being proper and I signed the certificate.

Mr. GARRETT. They charged the Government \$48.17 a ton and paid back to the Government \$31.57 a ton, making a difference of \$16.60 per ton. That is on the ingots?

Lieut. Col. GOETZ. Yes, sir.

Mr. GARRETT. Do you personally know anything about why that amount of salvage was allowed?

Lieut. Col. GOETZ. They handled them just the same as they handled any other case; they invited outside concerns to come in and bid for them, and Mr. Buxton found he could not do any better and approved it.

Mr. GARRETT. Do you happen to know anything about the market price of ingots at that time?

Lieut. Col. GOETZ. I do not; but it would seem that these pieces of metal were of dimensions, size for rolling into a certain sized sheet, as I understand it.

Mr. GARRETT. I was going to ask you whether these were standard size ingots, or do you know?

Lieut. Col. GOETZ. I do not.

Mr. GARRETT. You say Mr. Buxton investigated that question fully and would be able to give the committee first-hand information on the question of steel sheets?

Lieut. Col. GOETZ. Yes, sir.

Mr. GARRETT. Their claim was for damages on partly finished material which in the total was 9,475 sheets, or 345,220 pounds of steel sheets all rolled and ready to be painted, on which they allowed the Government \$2 per 100 pounds. In connection with that I wish to direct your attention to an indorsement which has been read into our records perhaps more than once, but once at least, at page 960:

Memorandum referred to Maj. Holder by Capt. R. W. Not recommended. Salvage of \$2 per hundredweight on steel sheets is entirely out of line. Market price since April has been \$4.35 per hundredweight for black sheet and \$4.65 for corrugated sheets. Suggest a reduction from face of award of at least \$5,000.

Lieut. Col. GOETZ. I have seen that indorsement on that blank.

Mr. GARRETT. What occurred subsequently to that in the way, Colonel, of indorsements?

Lieut. Col. GOETZ. Nothing that I know of. I asked Mr. Buxton particularly about that, and he told me his investigators had found that the salvage value was fair, both for the sheets and for the ingots.

Mr. GARRETT. In the memoranda which Maj. Holder sent to the committee, at page 1186, after reciting certain facts and conclusions, he states that there was written the following:

Recommend settlement. Have checked the salvage offers carefully and they are good.

Initialed "W. S. B."

Who was "W. S. B."?

Lieut. Col. GOETZ. Mr. Buxton.

Mr. GARRETT. Do you remember of having seen that indorsement on the record?

Lieut. Col. GOETZ. It is further stated:

This memorandum was pinned to the memorandum of Mr. Wright and returned, together with the other papers in this claim, to the office of the claims board.

And it states:

I think Mr. Wright's memorandum has been called to the attention of your committee. The memorandum which was planned thereto approving this salvage value was not shown to your committee. It was, however, attached to Mr. Wright's memorandum when the file was given to your representative for examination.

Mr. Buxton also read carefully the brief of settlement in this case:

Salvage value O. K. William S. Buxton. August 11, 1919.

Your attention was called to those different indorsers that I have read, the latter one?

Lieut. Col. GOETZ. Yes, sir.

Mr. GARRETT. Did you talk to Mr. Buxton about this matter at any great length?

Lieut. Col. GOETZ. We consulted regarding that claim the same as on all other claims when they come up to us; we go over them jointly.

Mr. GARRETT. One witness has testified before this committee, Mr. Somers is the man I have in mind, in substance that there was a demand for these ingots by the trade. I do not mean these particular ingots, but for steel ingots, and that the price of ingots advanced following very shortly, as I remember it, the signing of the armistice, with the removal of the price fixed and the leaving of the market free—there was an advancement in price. Do you know anything about it?

Lieut. Col. GOETZ. I do not.

Mr. JEFFERIS. Colonel, in regard to the Stein-Burn claim, as I understand your answers to Mr. Garrett, when Mr. Bergenstein told you there was \$25,000 covered up in that claim he did not know who the claimant was, at least that was your recollection; that subsequently when Mr. Stein came down here and went before Mr. Bergenstein with you, Mr. Bergenstein at that time thought there was about \$2,800 covered up in there. Do you account for this change of views in that regard?

Lieut. Col. GOETZ. I do not know as I can account for it. I could not read his mind. Just then and there I made up my mind without regard to advice from anyone else that I would get all out of that claim I could get.

Mr. JEFFERIS. Were the two conversations he had with you about the matter close together?

Lieut. Col. GOETZ. Along about the 1st of July, probably earlier than that, we called on Mr. Bergenstein in regard to this claim.

Mr. JEFFERIS. How long was it after you gentlemen presented the claim to him the first time that you took it up the second time with Mr. Stein present?

Lieut. Col. GOETZ. On or about July 20.

Mr. JEFFERIS. I take it that you could not comprehend what difference it would make as to who the claimant was?

Lieut. Col. GOETZ. I do not want to do Mr. Bergenstein any injustice, but that was just my impression, that he was asked to look over this list of materials.

Mr. JEFFERIS. The first time?

Lieut. Col. GOETZ. Yes.

Mr. JEFFERIS. At that time you feel sure that he did not know who the claimant was?

Lieut. Col. GOETZ. I am certain. That is my impression; I do not think he did.

Mr. JEFFERIS. But the second time it was presented to him he did know who the claimant was?

Lieut. Col. GOETZ. Mr. Stein was present.

Mr. JEFFERIS. Did you, at the second conversation, when they mentioned the \$2,800, remind him of his prior statement?

Lieut. Col. GOETZ. I did not.

Mr. JEFFERIS. Did you in any way state to him that it was the same bunch of metal that you had submitted to him a few days before, a couple of weeks before?

Lieut. Col. GOETZ. I did not. He called in his assistant, a young man. I have forgotten his name, and they figured it over item by item.

Mr. JEFFERIS. The first time?

Lieut. Col. GOETZ. The second time.

Mr. JEFFERIS. What about the first time, what did you do?

Lieut. Col. GOETZ. He looked over the list of material and told me there was \$25,000 in that claim.

Mr. JEFFERIS. You say Mr. Bergenstein is engaged in the metal business in Chicago?

Lieut. Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Coming back to the saddles, Colonel, how many saddles do you think could be made out of a steer's hide?

Lieut. Col. GOETZ. It would depend, sir, upon the type of saddle; to what sort of a saddle do you refer?

Mr. JEFFERIS. To one of these McClellan saddles.

Lieut. Col. GOETZ. It would be impossible to make a complete saddle out of one steer hide for this reason: That a part of the leather that is used in the saddle is split and another part unsplit, but on a footage basis, without any allowance for waste, you could get about three saddles out of a hide. Now, understand, that the hide of leather that would be of a thickness to cover the tree would not be heavy enough for the stirrup leathers, for the cantle of pummel straps, or for the connecting tie straps. There is about 15 feet of leather, 15 to 16 feet of leather, in one of those saddles.

Mr. JEFFERIS. When you say foot, you mean square foot?

Lieut. Col. GOETZ. Yes; square feet.

Mr. JEFFERIS. Square feet. About how many pounds?

Lieut. Col. GOETZ. I could not tell you.

TESTIMONY OF D. J. BENNETT—Recalled.

Mr. GRAHAM. In a statement that was sent down here by the claims board on the claim of the Briar Hill Steel Co., the statement is made in their brief, and it has again been brought out by Mr. Garrett just now when he read it into the record that when a certain memorandum was handed to you by the claims board in reply to your request for information about this claim, being the memorandum in which one Lieut. Wright stated that this salvage value of \$2 was insufficient, that there was a memorandum pinned to it by W. S. Buxton saying the salvage value was O. K. What have you got to say about that? Was that true?

Mr. BENNETT. When I received the folder to look it over at that office they were not pinned together and I never saw the one by Mr. Buxton. After I had looked it over a second time in the back I found a memorandum on a yellow slip of paper similar to that [indicating] to Maj. Holder—

Mr. GRAHAM (interposing). You refer to a piece of paper about 3 by 8 inches?

Mr. BENNETT. I presume it is the same as is used in all the different departments, just simply a memorandum referred to Maj. Holder on a slip of paper, I think, of the same size as that. As I say, I happened to read it over and found Mr. Wright had initialed it and the other; that the value was not right, stating the price of the sheets, but they were not pinned together. What was done with them after I got through looking at them I do not know, but they were not pinned together after I had them nor when I turned them back to the clerk who takes care of them.

Mr. GRAHAM. Then, when you testified originally in this case did you know that that memorandum was there?

Mr. BENNETT. I did not. You mean the Buxton memorandum?

Mr. GRAHAM. The Buxton memorandum.

Mr. BENNETT. No, sir; I did not.

Mr. GRAHAM. If it was, you did not know it was in the papers?

Mr. BENNETT. I never saw it at all until one of the Army officers had it in here several days afterwards. He came up here to get some information regarding that and showed me the memorandum. That is the first I ever remember seeing it.

Mr. GRAHAM. Do you remember what officer that was?

Mr. BENNETT. The man who was in the office sits there at the door in Maj. Holder's office.

Mr. GRAHAM. Do you know what his name is?

Mr. BENNETT. I do not.

Maj. HOLDER. I can tell you if you want to know.

Mr. GRAHAM. What is his name?

Maj. HOLDER. J. W. Blunt, major, Quartermaster Corps.

Mr. GRAHAM. The intimation has been apparently made, Mr. Bennett, that you were trying to conceal something from the committee and I simply want the facts about it.

Mr. BENNETT. I do not think I have tried to conceal anything from the committee. I think I have worked pretty hard to reveal things to them instead of concealing them.

Mr. GARRETT. If I understood Mr. Bennett correctly he visited the department the day before he gave his testimony before the committee touching this matter?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. And then you subsequently visited the department?

Mr. BENNETT. Yes, sir; I visited it every day.

Mr. GARRETT. And it was upon your subsequent visit that you first found this memorandum to which reference has been made?

Mr. BENNETT. The W. W. R. memorandum?

Mr. GARRETT. No; I am referring now to the Buxton memorandum.

Mr. BENNETT. I never saw it at all.

Mr. GARRETT. When did you first see that?

Mr. BENNETT. When Maj. Blunt showed it to me here at the table one day when he was up talking with Mr. Graham.

Mr. GARRETT. You never did see that until then?

Mr. BENNETT. That is the first I knew of that memorandum.

Mr. GARRETT. Was it the original file which you brought to the committee, Mr. Bennett, or was it a copy that you had made there?

Mr. BENNETT. I had a copy of it, but I had the original file to look at; however, I had those copies of those purchase orders, but I had the original file in Maj. Holder's office to look at and supposed I had all the papers connected with it, and probably did have.

TESTIMONY OF CAPT. H. W. BENKE.

(Capt. Benke was duly sworn by Mr. Graham.)

Mr. GRAHAM. Your name is what?

Capt. BENKE. H. W. Benke, captain, Quartermaster Corps.

Mr. GRAHAM. Are you a member of the Claims Board?

Capt. BENKE. I am assistant to Col. Goetz, not a member of the board. I am on the board, but I am an assistant to Col. Goetz on the salvage end of it.

Mr. GRAHAM. I assume you have heard this question I have asked the other members about the waiver of immunity?

Capt. BENKE. Yes, sir; I have.

Mr. GRAHAM. How long have you been on the board, Captain?

Capt. BENKE. Since July 1, sometime about the first part of July was when I started in there.

Mr. GRAHAM. Did you have any knowledge of the settlement of any of these claims that have been touched on by the committee?

Capt. BENKE. Yes, sir; I happened to make that trip to Chicago on the Stein-Burn claim.

Mr. GRAHAM. You may relate any facts that you care to relative to it.

Capt. BENKE. The claim was handed to me by Col. Goetz with the instruction that there was \$25,000 to be gotten out of it, and that I should take it along to Chicago and investigate the matter and try to dispose of the material at a higher salvage value. When I arrived in Chicago I reported to the zone supply officer and got in touch with the members of their board who adjusted the claim. I went over their record and, after questioning them, I found out that they had put forth every effort in their power to get more for the material than what this contractor had paid.

Mr. GRAHAM. That is, that was your judgment?

Capt. BENKE. That is the way they put it to me. This is the report of the board to me.

Mr. GRAHAM. Yes.

Capt. BENKE. I insisted that a member of the board, who was Mr. Roberts, who is here now, go with me to the manufacturers' plants, or to his office; and after going into the matter with him at the office, he was somewhat excited at the time as he felt that the settlement had been made by the Chicago zone, and that he should be entitled to the money as the claim was set up. I informed him that the board in Washington felt that there was a considerable amount of additional money in their claim that we should try to get.

Mr. GARRETT. Who was that that was excited?

Capt. BENKE. The Stein-Burn man.

Mr. GARRETT. I did not know whether you were referring to Stein or the zone officer.

Capt. BENKE. No; I told him that the board in Washington—

Mr. GRAHAM (interposing). Told who?

Capt. BENKE. I told Mr. Stein that the board in Washington felt that there was a considerable amount additional to be gotten out of that claim. He immediately threw up his hands and said he did all that he could; and my aim was for \$25,000. I told him that if he could make any kind of a proposition at all that I could submit to the board I would be willing to consider it, but that it would have to be a considerable amount. He absolutely decided that he would not do anything further on it.

So, I asked him for correspondence showing where he had tried to dispose of this material and he showed me at least five or six letters from the different jobbers and dealers in steel, but there was not any there that contained an offer, or made any figure for it, or any

promise on it. I instructed him again to put forth another effort and obtain prices on it, as the conditions might have changed since that time; that I would go to St. Louis and on my return would see him again. He promised, and detailed a man to try to dispose of it. When I returned he could not get any better satisfaction than he had before, so I got in touch with the Sculley Steel Co. there. They were not interested on account of the sizes. I got in touch with Ryerson, one of the largest jobbers in Chicago on that particular kind of steel. They were not interested. I got in touch with the Steel Sales Corporation, who were jobbers, and they were the only people from whom I could get any quotations. Their offer was on a few sizes. There were about two or three sizes on which they offered about \$30 a ton. On the smaller sizes they offered \$20 a ton, and would not give me any offer on the tin plate at all. I asked him to get a man and put him on the tin-plate proposition for me, because they were more familiar with that than I was.

Mr. GRAHAM. Asked who?

Capt. BENKE. Asked the Steel Sales people. They detailed a man, but he could not get anyone that would be interested in tin plate.

Mr. GRAHAM. How do you know that?

Capt. BENKE. That is from the report he made to me and the Steel Sales people—that is what they reported.

Mr. GRAHAM. That is what this man told you?

Capt. BENKE. Yes, sir. When I returned from St. Louis I called on Mr. Stein again and visited the different factories where this material was stored. I found that it was in various sizes, in various conditions, some in process, and some of the material piled up just as it came in from the mills.

(At this point a recess was taken in order that the members of the committee might vote on the Panama Canal tools question.)

Lieut. Col. GOETZ. Mr. Graham, I would like to ask permission to make a short statement to correct my testimony.

Mr. GRAHAM. We will withdraw Capt. Benke for the moment.

TESTIMONY OF LIEUT. COL. H. GOETZ—Recalled.

Mr. GRAHAM. You may proceed, Col. Goetz.

Lieut. Col. GOETZ. In one point of my testimony regarding Mr. Bergenstein I said that Mr. Bergenstein was with me. I find that I was in error.

Mr. GRAHAM. All right.

TESTIMONY OF CAPT. H. W. BENKE—Recalled.

Mr. GRAHAM. You may proceed with your statement, Captain.

Capt. BENKE. As I was saying, the tin plate was still in crates the same as it was received from the mills. After that we returned to Mr. Stein's office and I asked him to raise the salvage value on the raw material. He absolutely refused to do it and made the statement that he would rather have the Government take it over and pay him the invoice price for it. There was nothing further for me to do and so I returned to Washington and reported to Col. Goetz. I also arranged an appointment for Mr. Stein the day following my return and we went over the various claims again in which this material was involved. Col. Goetz, Mr. Stein, and myself, and I believe Maj. J. C.

Byron was with us when it was suggested to see Mr. Bergenstein. When we called at his office he called in a Mr. Warren, who was his assistant, and seemed to be an expert on metals. They went over this claim in detail, taking it up item by item, figuring the cost, and, after going over each item, they finally decided that they thought an additional amount of about \$2,500 to \$2,800 would be fair in the settlement of that claim. I then went back to Col. Goetz's office. We had a meeting and it was decided then that we would try to get a little more salvage on the material in which we were successful to amount of about \$7,000 altogether. That is all I had to do with this particular claim.

Mr. JEFFERIS. What was the attitude of Stein-Burn—belligerent? How was it toward the claims board and the men that were trying to settle this thing?

Capt. BENKE. He was under the impression that his claim was settled. When I called on him again he was very much surprised to think that a representative from Washington should call on them to readjust this claim.

Mr. JEFFERIS. Did you talk with any other member of the Stein-Burn Co. other than Mr. Stein?

Capt. BENKE. I met his brother and his father, but I did not talk with them about this claim.

Mr. JEFFERIS. What was the fact at that time? Were these rivets rusty?

Capt. BENKE. Yes, sir.

Mr. JEFFERIS. How had that happened? Had they been out in the weather or what?

Capt. BENKE. No, sir; they were in a factory. They were not any more rusty than any more material would get by being allowed to stand around the way that was. It was open; it was not covered in barrels.

Mr. JEFFERIS. How was all this material really stored?

Capt. BENKE. Laid up in piles.

Mr. JEFFERIS. Under a roof?

Capt. BENKE. Part of it was stored in a garage. A large part of the sheets were stored in the garage, but the parts in process were in his factory. All of it was somewhat rusty.

Mr. JEFFERIS. This was some time in July, 1919, that you were there?

Capt. BENKE. Yes, sir.

Mr. GARRETT. Had it apparently received ordinary good care?

Capt. BENKE. I questioned him about that and he said that it was the best that they could do to handle it. There was such a large quantity of it that they could not get any other place to store it, and they had to store it in this garage.

Mr. GARRETT. Was that garage dry?

Capt. BENKE. Yes, sir; it was dry, but they had machines in there and naturally there was some smoke from the gasoline and they had ventilators in there, that was all. Otherwise it was the same as any other garage.

Mr. GARRETT. What other of these claims that have been under discussion here did you have to do with?

Capt. BENKE. I have not had anything to do with any of the others.

Mr. GARRETT. Did you have those stamping and enamelling company claims?

Capt. BENKE. No, sir.

Mr. GARRETT. Did you have the Briar Hill claims?

Capt. BENKE. No, sir.

Mr. GARRETT. Or the American Can Co. claims?

Capt. BENKE. No, sir.

Mr. GRAHAM. Are these rivets, when they come in, in barrels, are they ordinarily rusty? The exposure to the air, any exposure to the air would have a tendency to corrode them and rust them.

Capt. BENKE. I believe it does, I am not positive.

Mr. GRAHAM. I understand when they come in the rough they are apt to be tarnished and somewhat corroded?

Capt. BENKE. Yes, sir; they are not a polished rivet, just a rough rivet.

Mr. GRAHAM. And do not have any black finish on them at all?

Capt. BENKE. No; just in the rough.

Mr. GRAHAM. That does not hurt them any, does it?

Capt. BENKE. No, sir; it does not.

Mr. GRAHAM. That is all, Capt. Benke.

TESTIMONY OF MR. H. R. ROBERTS.

(Mr. Roberts was duly sworn by Mr. Graham.)

Maj. HOLDER. I was going to suggest, Mr. Chairman, that perhaps some of these questions may be merely repetitious.

Mr. GRAHAM. I would not cover the same ground again. Do you know anything further about these matters, Mr. Roberts—these other gentlemen who testified here?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. What is your full name?

Mr. ROBERTS. H. R. Roberts.

Mr. GRAHAM. Were you officially connected with the Claims Board?

Mr. ROBERTS. I am attached to the Chicago board in the capacity of auditor.

Mr. GRAHAM. Auditor?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. That is, making an audit of costs?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. You are simply a civil employee, are you?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. You did not have anything to do officially with the settling of these claims, and have no interest in them yourself?

Mr. ROBERTS. My capacity was to accompany the negotiating officer on these settlements to assist in the checking of the figures and verifying of the statements.

Mr. GRAHAM. You are employed by the Government?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. Do you waive any immunity arising out of your testimony?

Mr. ROBERTS. I do.

Mr. GRAHAM. Which one of these claims did you have something to do with, Mr. Roberts?

Mr. ROBERTS. The Stein-Burn claim.

Mr. GRAHAM. What do you know about that?

Mr. ROBERTS. If you will permit me, Mr. Graham, I believe it would be well for me to briefly outline the procedure followed in settling these claims.

Mr. GRAHAM. You mean you are the author of the plan?

Mr. ROBERTS. No, sir; I assisted in the procedure—laying down our plan of investigating those claims.

Mr. GRAHAM. What was your business before you entered the War Department?

Mr. ROBERTS. Auditing and accounting prior to my service with the Government. I was in the service.

Mr. GRAHAM. Military service?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. What is your age, Mr. Roberts?

Mr. ROBERTS. 27.

Mr. GRAHAM. And what was your business before you went into the military service?

Mr. ROBERTS. An auditor and accountant.

Mr. GRAHAM. Were you a member of any firm?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. Which firm?

Mr. ROBERTS. I say no, sir.

Mr. GRAHAM. How long had you been out of school before you—

Mr. ROBERTS (interposing). Three and a half years.

Mr. GRAHAM. Had you been doing business for yourself?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. What?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. What experience have you had in auditing and accounting?

Mr. ROBERTS. Three and one-half years with the Thomas E. Cary & Sons Construction and Contracting Co. and with the Chicago & Northwestern Railroad.

Mr. GRAHAM. In what capacity were you working with them?

Mr. ROBERTS. As auditor and accountant.

Mr. GRAHAM. What kind of work were you doing?

Mr. ROBERTS. The contracting work was investigation and auditing accounts. In fact, I took charge of all the accounting and detail work. The railroad work was largely detail work and various experience with mills.

Mr. GRAHAM. What experience in mills?

Mr. ROBERTS. The purchasing department or division.

Mr. GRAHAM. After you came out of the military service you went into this department as an auditor, did you?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. What salary were you receiving in the department, Mr. Roberts?

Mr. ROBERTS. The Government?

Mr. GRAHAM. Yes.

Mr. ROBERTS. \$2,400 at that time.

Mr. GRAHAM. \$2,400?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. Are you still in the service?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. At the same salary?

Mr. ROBERTS. At \$3,000.

Mr. GRAHAM. Where are you located?

Mr. ROBERTS. Chicago, Ill.

Mr. GRAHAM. Who advised you of this hearing, Mr. Roberts?

Mr. ROBERTS. I was notified by Mr. R. R. Wright, representative of the Washington Claims Board, who at the time was in Chicago assisting the Chicago Zone Board.

Mr. GRAHAM. He is there now, is he?

Mr. ROBERTS. I believe he is on his way to Washington now. He in turn was notified by telephone from Washington and later by wire.

Mr. GRAHAM. Do you know who notified him?

Mr. ROBERTS. Yes, sir; Maj. Holder.

Mr. GRAHAM. If you want to tell us what plan you got up for the settlement of these claims we will be glad to hear it, but do not go into it in too much detail. Just give it to us as quickly as you can.

Mr. ROBERTS. Before the settlement cases were turned over to the Board of Review a certificate was attached by the contracting officer that he has satisfied himself as to the statements. However, the Board of Review chose to investigate this settlement, in other words to satisfy itself that the statement was correct.

Mr. GRAHAM. You said that the Board of Review—what do you

Mr. ROBERTS. The Zone Board of Review.

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. Is that what you call it, a Board of Review?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. I think it was called the zone claims board.

Mr. ROBERTS. The Zone Board of Review.

Mr. GRAHAM. You differ somewhat from some of the other gentlemen who have appeared before us.

Mr. ROBERTS. That was the title heretofore, Mr. Graham, but it recently has been changed to Advisory Purchase Board.

Mr. GRAHAM. Gen. Burr, who was here before this committee said that these zone boards were properly called zone claims boards.

Mr. ROBERTS. That is not my understanding. Zone Board of Review is the only term that I have ever heard used in regard to these boards.

Mr. GRAHAM. That is immaterial. At all events, it is the same board.

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. You may proceed?

Mr. ROBERTS. The Board of Review questioned these claims, brought them up, and in going over them called for my assistance. First we attempted to analyze the situation, as we had worked on similar claims calling for the same articles, and studied the situation before we ever attempted to investigate it. At that time we had a great many claims before the board and we were handicapped repeatedly owing to the fact that various officers were getting out of the service.

Capt. John A. Bussian, a member of the board, designated me to call on Mr. Stein of the Stein-Burn Camp & Field Equipment Co.,

with an order to check their books or to verify the statement of claim as filed by the contractor as to its correctness and gain whatever other information I could to assist the board in negotiating the settlement. I visited the Stein-Burn Camp & Field Equipment Co. and Mr. Stein agreed to talk to me in the situation. I was accompanied by Mr. R. L. Lewis, also attached to the Chicago board in the capacity of auditor. We requested Mr. Stein to produce all original invoices, books, papers, correspondence, anything that might pertain or refer to this claim, or the claims in question which he did. He assigned his secretary to assist us in any way, gave us all the papers, correspondence. We had them all at our disposal. We first made a complete check of all invoices to ascertain the material in question, the cost, correct weights, and the amount of material, making various changes where they disagreed with the contractor's statement of claims.

Mr. GRAHAM. I do not think there is any use of your going into that, your method or what you did or how you did it. Nobody that I know of has questioned the fact that they paid the amount for the material that they claim they did; so if I were you I would leave that and go on to the salvage value.

Mr. GARRETT. If you will pardon me, Mr. Graham, Mr. Roberts spoke just there of correcting their statement from their invoices. I do not know that it is very material, but—

Mr. GRAHAM (interposing). I do not see how it is. I do not want to shut him off from anything that is at all material, but I do not know anybody that has claimed they did not pay the price for this material that they said they did, do you?

Mr. GARRETT. No; I have heard of nobody. The only thing is his statement somewhat excited my curiosity to know whether they found any errors in their claims that the statement did not justify.

Mr. ROBERTS. We closed the matter after a complete check of their books and invoices and referred back to the zone board of review our report on what we had found, say, leaving the question open for a period, I believe, of eight or nine days in order to investigate the salvage situation. In our visit Mr. Stein took us to the various plants where this material was in storage.

Mr. GRAHAM. How many errors did you find in their statement of cost?

Mr. ROBERTS. Our corrections, I believe, approximated an average of \$1,500 to \$2,000.

Mr. GRAHAM. That they had overcharged?

Mr. ROBERTS. There was a total overcharge of that amount.

Mr. GRAHAM. All right.

Mr. ROBERTS. In checking this material, looking it over we made corrections in their inventory and cut of the overage and checked up the shortages and made our report to the board.

The storage situation was just as Capt. Benke has explained before. I will not go over that. We reported back to the board and were ordered to investigate the various markets and made an effort to dispose of this material. I believe we called on the various concerns referred to, the concerns that have been mentioned in this investigation previously in an effort to dispose of it, and were unsuccessful.

I want to mention that Mr. Stein repeatedly made efforts to—he practically insisted that the Government take this material. It seems

the board of review was in close touch with the salvage department, and they were informed that the Government—

Mr. GRAHAM (interposing). Are you referring to something you know yourself?

Mr. ROBERTS. Yes, sir; that the Government did not care to take this material. We made every effort to effect the settlement most advantageous to the Government. We reviewed the correspondence Mr. Stein showed us in regard to the disposition of the material and made a report to the board of review in regard to the evidence we secured without recommendation and left it for the board to consider.

I also want to mention that Mr. Stein made several statements in regard to the Washington Board of Review and in several cases he termed them unfavorable names. One of them I remember he termed the Washington board a gang of cutthroats. He was very displeased and his settlements were unsatisfactory. That remark was repeated several times.

Mr. GRAHAM. He wanted this stuff for nothing, did he not?

Mr. ROBERTS. That seemed to be the case; yes, sir. We met opposition on every move we attempted to make. Mr. Stein did not submit, as I believe he stated before the committee, "willingly." He stated that he willingly submitted to all changes. He did not. However, to a correction of errors he very readily submitted, but in every effort to raise his salvage value we met opposition and stubborn opposition.

Another thing that may interest you. Prior to this case I had been connected with the investigation of other fireless-cooker cases. Capt. Bussian and I visited the Follensby Bros. mills, at Follensby, W. Va.—

Mr. GRAHAM (interposing). Do you go yourself?

Mr. ROBERTS. Yes, sir; accompanied by Capt. John A. Bussian, a member of the board of review, in regard to another fireless-cooker settlement. Reviewing this situation, we got a very good idea and some very valuable information in regard to the tin-plate situation in connection with this settlement. And in basing our salvage values, my information has been information obtained largely by actual black and white and not so much market values or paper values. By that I mean my effort was to get actual purchases of salvage, not the market value which was listed on paper, and my recommendations to the board were made on that basis.

Mr. GARRETT. What was the character of that information that you obtained from Follensby to which you have just referred?

Mr. ROBERTS. I should consider the tin plate of the most importance. Mr. Follensby at the time took us out through his mills from start to finish. We followed the tin-plate operation until it was completed; we saw the material in all stages, and at that time Mr. Follensby made the statement that the market was flooded; that they were making no purchases of scrap owing to the vast amounts of material on hand. At that time they had on hand an enormous amount of tin-plate scrap, enough to supply their demands for three years to come. He believed that that was the general condition all over the country.

Mr. GARRETT. The same character of material that was in the plant of the Stein-Burn Co.?

Mr. ROBERTS. Yes, sir. We had been on three similar cases before this one.

I might also mention to you the fact, Mr. Graham—I do not know whether it would be of interest to your committee—that during these investigations we averaged from 15 to 20 claims a month, and saved approximately half a million dollars a month. That was the extent of our efforts.

Mr. GRAHAM. What do you mean by “we”—the zone board?

Mr. ROBERTS. By that I mean Capt. Bussian and myself alone in the cases we investigated.

Mr. GRAHAM. Who recommended these settlements? You mean you cut the claims that much?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. That is what you mean?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. You were not supposed to allow them every claim that they filed, were you?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. And when you say you saved the Government, you simply mean that you allowed that much less than the face of the claim?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. That is what I thought.

Mr. GARRETT. What was your original recommendation in this claim, do you remember?

Mr. ROBERTS. My original recommendation as to exact figures?

Mr. GARRETT. Yes.

Mr. ROBERTS. I do not remember; no, sir.

Mr. GARRETT. You had made a recommendation, I take it, before it was examined by this gentleman, this man Bergenstein; is that his name?

Mr. GRAHAM. Bergenstein was the man.

Mr. GARRETT. Examined by Bergenstein?

Mr. ROBERTS. Yes, sir.

Mr. GARRETT. It was the report of this zone board, whatever you call it, that examined—I presume you do not know personally what he did examine, do you?

Mr. ROBERTS. Mr. Bergenstein examined them?

Mr. GARRETT. Yes.

Mr. ROBERTS. I do not; no, sir; although in referring to this settlement we cooperated very closely with the Washington board. We were informed of their operations and assisted them.

Mr. GARRETT. Mr. Benke came out there and consulted with you and you visited the plant together. The claims or papers which he had with him contained the award made by the Chicago Zone Board upon your recommendation?

Mr. ROBERTS. I believe you are correct.

Mr. GARRETT. And he came out there with the suggestion that he was instructed to try and secure \$25,000 in that award?

Mr. ROBERTS. Yes, sir.

Mr. GARRETT. When you and Mr. Benke visited the plant and laid that proposition before Mr. Stein he declined to make any proposition, did he?

Mr. ROBERTS. Yes, sir.

Mr. GARRETT. Did you then recheck in any way, or make any effort to verify your former figures?

Mr. ROBERTS. At the time Capt. Bussian made his visit when I accompanied him was on the first visit and there were no corrections made at that time. Mr. Stein refused to consider the matter further. It was left open for several days owing to the effort of Capt. Benke to try to obtain a large salvage value. After his return and on the second visit to the Stein-Burn people they talked the salvage situation over. I believe.

Mr. GRAHAM. How did you happen to go to the mills of Follensby Bros.?

Mr. ROBERTS. That resulted from an investigation of another claim.

Mr. GRAHAM. Why did you go to this factory?

Mr. ROBERTS. To the Follensby factory?

Mr. GRAHAM. Yes.

Mr. ROBERTS. The material in that case was supposed to be in the Follensby Bros. mills. It was not.

Mr. GRAHAM. When did you go there?

Mr. ROBERTS. In June.

Mr. GRAHAM. In June, 1918?

Mr. ROBERTS. In June, 1919.

Mr. GRAHAM. And you did not find the material?

Mr. ROBERTS. No, sir. In fact, the result of that was that the claim was reduced from \$160,000 to \$27,000.

Mr. GRAHAM. And then you had a talk with him about the tin plate situation while you were there?

Mr. ROBERTS. Yes, sir. At that time Follensby declined to set an actual figure on the price of scrap tinplate.

Mr. GRAHAM. Is Follensby connected with the American Sheet & Tin Plate Co.?

Mr. ROBERTS. Not to my knowledge.

Mr. GRAHAM. Is he connected with the American Can Co.?

Mr. ROBERTS. Not to my knowledge.

Mr. GRAHAM. Did you visit the factories of the Stein-Burn Co.?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. Did you know anything about their business before they went into this war contract business?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. What were they making while you were there, aside from these fireless cookers and bread boxes?

Mr. ROBERTS. Steel window frames. At that time they were making ice boxes—all metal work of that kind. They were either planning or had just started making some automobile accessories, small stamping work, but at that time they had not gone into that very far. Most of their work was largely window manufacturing.

Mr. GRAHAM. What do you mean, boxes of various kinds for automobile accessories?

Mr. ROBERTS. No; not boxes, but tail lamps, and such things.

Mr. GRAHAM. Materials made out of pressed metals of various kinds?

Mr. ROBERTS. Yes, sir. Hub caps, things like that.

Mr. GRAHAM. Do you know what they are doing now?

Mr. ROBERTS. Yes, sir; manufacturing the same articles.

Mr. GRAHAM. And they also make cafeteria outfits.

Mr. ROBERTS. Yes; cafeteria equipment.

Mr. GRAHAM. Did you know anything about tinplate before you went into this war claims board?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. All you know about metals you have learned in the railroad business?

Mr. ROBERTS. Yes, sir; and also in the contracting business we had a great deal to do with mills. The contracting concern I was with were builders.

Mr. GRAHAM. What did they build?

Mr. ROBERTS. Building construction work.

Mr. GRAHAM. Store buildings and houses and that sort of thing?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. Then you would not get a very extensive and intimate knowledge of tin plate there, would you?

Mr. ROBERTS. Very little. They did mostly construction work.

Mr. GRAHAM. You are not an expert in the metal business, are you?

Mr. ROBERTS. I claim to be an expert; yes, sir.

Mr. GRAHAM. You claim to be an expert on tin plate and sheet metal?

Mr. ROBERTS. Not in tin plate.

Mr. GRAHAM. Do you in sheet metal?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. You mean you are an expert accountant?

Mr. ROBERTS. Yes, sir.

Mr. GRAHAM. Of course, in Illinois we have no certified accountants there, do we?

Mr. ROBERTS. There are certified accountants in Illinois. I have never taken the State examination.

Mr. GRAHAM. I mean the State law does not require it?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. Are you a certified accountant?

Mr. GARRETT. Did you have anything to do with any of these other claims which we have discussed here?

Mr. ROBERTS. No, sir.

Mr. GARRETT. You had nothing to do with the National Enameling & Stamping claim?

Mr. ROBERTS. No, sir.

Mr. GRAHAM. If there is nothing else, we will adjourn.

Maj. HOLDER. Maj. Caswell has not yet arrived, but I suppose he will be here shortly.

Mr. GRAHAM. Maj. Holder, I do not think this record ought to be—

Mr. JEFFERIS. Who is he?

Capt. SMUCK. He is the officer who negotiated the National Stamping & Enameling claim. He is now out of the service. A subpoena was issued for him at his residence, but he is away on a fishing trip.

Mr. GRAHAM. We began this work, Capt. Smuck a month ago. We have waited now two weeks for this evidence. The work of this committee is vast; it has a great deal to do, and I want to close this matter up.

We will adjourn this hearing for to-day and have a short executive session.

(Whereupon, at 5.15 o'clock p. m., the committee went into executive session.)

SUBCOMMITTEE NO. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Thursday, October 2, 1919.

The committee met at 10 o'clock a. m., pursuant to adjournment of yesterday. Hon. William J. Graham (chairman) presiding. Also present, Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Mr. GRAHAM. Mr. Caswell I believe you are here with reference to a claim that has been investigated by this committee, the Briar Hill, or the National Enameling & Stamping Co.?

Mr. CASWELL. The National Enameling & Stamping papers have been given to me. I do not know what I am here for.

Mr. GRAHAM. I do not, either. The committee did not send for you, but it has been suggested by Maj. Holder and Mr. Schmuck that you knew about these matters. I assume it is with reference to these claims.

Mr. CASWELL. Your name is mentioned in the telegram I received, Mr. Graham.

Mr. GRAHAM. Yes; these gentlemen requested that the committee subpoena you, because they did not have any way to get you here. Therefore, we used the process of the committee to get you here at their request. Now, I assume that you are connected with the National Enameling & Stamping Co., are you?

Mr. CASWELL. No, sir; I was a major in the Quartermaster Department.

Mr. GRAHAM. Very well; be sworn.

TESTIMONY OF MR. C. H. CASWELL.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Caswell, you were formerly a major in the Quartermaster Corps?

Mr. CASWELL. Yes, sir.

Mr. GRAHAM. And when did you leave the service?

Mr. CASWELL. On March 24 of this year.

Mr. GRAHAM. While in the service did you have any connection with the claim of the National Enameling & Stamping Co.—or not the claim but the contract?

Mr. CASWELL. I did; yes, sir.

Mr. GRAHAM. Were you a member of the Claims Board?

Mr. CASWELL. No, sir; I was contracting officer.

Mr. GRAHAM. Did you make this contract?

Mr. CASWELL. No, sir.

Mr. GRAHAM. Did you have anything to do with the settlement of it?

Mr. CASWELL. Yes, sir.

Mr. GRAHAM. In what capacity?

Mr. CASWELL. As contracting officer.

Mr. GRAHAM. That is, you made the recommendations for the settlement, or did the preliminary negotiations, or what was it?

Mr. CASWELL. Mr. Graham, I do not want to commit myself until I see the papers. At the time of the armistice there were turned over to me 350 contracts to adjust by Washington, and it would not be giving me proper consideration for you to ask me to answer off hand on one particular contract.

Mr. GRAHAM. Well, I was going to suggest to you that perhaps you could make a statement, or desired to make a statement as to the facts as you remember them about this matter. I do not know what the object of bringing you here was. But I assume it was to tell what you knew about this particular settlement. However, if you want to do so you can take the papers and look them over and refresh your memory and then make such statement as you want to relative to the facts that you know. Owing to the testimony we have found it necessary to restrict the witnesses to facts they have within their own personal knowledge, and if you want to do that you can withdraw from the witness stand and go into the side room and look over the papers.

Mr. CASWELL. There are four contracts here, Mr. Graham, and I would much prefer to revive my memory to some extent.

Mr. GRAHAM. Now, Mr. Caswell when you come on the stand prepare yourself to give facts within your knowledge, that is, along legal lines, so that we can keep the testimony down, the bulk of it. We would be glad to have anything you know personally but not conjectures.

(And thereupon the witness withdrew from the stand.)

TESTIMONY OF WILLIAM S. BUXTON.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your name?

Mr. BUXTON. William S. Buxton.

Mr. GRAHAM. Mr. Buxton, what connection did you have with the War Department during the recent war?

Mr. BUXTON. I was concerned with the One hundred and first Engineers, Twenty-sixth Division, overseas for 19 months. I was discharged in April of this year, April 28.

Mr. GRAHAM. Were you an officer or enlisted man?

Mr. BUXTON. I was an enlisted man until March of this year. I went over as first sergeant and remained first sergeant until the time I was wounded and then later was made sergeant major, and later attended the officers' school and received a commission in March of this year.

Mr. GRAHAM. And after your enlistment you went into what service?

Mr. BUXTON. I did not do anything for about two months and on receipt of a letter from the War Department addressed to my father, I made a trip to Washington to see Col. Goetz on his request, and as a

result of an interview with Col. Goetz I was asked to return and take an appointment as a contract expert, connected with the War Claims Board

Mr. GRAHAM. When did you start on your work?

Mr. BUXTON. I think the date was July 27.

Mr. GRAHAM. How long did you remain with the work; are you still there?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. What are your duties?

Mr. BUXTON. My particular knowledge is supposed to be the knowledge of scrap metal and iron. My duties are to check salvage values.

Mr. GRAHAM. Prior to entering this service did you ever have any experience along that line?

Mr. BUXTON. Yes; I have been in the business since 1905.

Mr. GRAHAM. What general line of business have you been in?

Mr. BUXTON. Scrap iron and metal.

Mr. GRAHAM. Where is your home?

Mr. BUXTON. My home is Worcester, Mass.; I have been in Boston, in business, most of the time.

Mr. GRAHAM. What is your age, Mr. Buxton?

Mr. BUXTON. Thirty-four.

Mr. GRAHAM. The matter that this committee is inquiring about arises out of a memorandum, I imagine, in the case of the Brier Hill Steel Co., where you passed upon a question of salvage values of some steel ingots.

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. In this it seems that Mr. R. R. Wright who, I think, perhaps was a lieutenant, had stated that the salvage value of the contract \$2 per hundredweight was not sufficient, and the matter was then referred to you, and you O. K.'d it and said it was satisfactory; do you remember that occasion?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. Well, what have you to tell this committee about the circumstances of that particular thing? I suppose that is the reason you are brought here and if you know anything about the facts from your own personal knowledge we would be glad to hear them.

Mr. BUXTON. Why, in a general way, I had a knowledge of black steel sheets, from inquiry from the Director of Sales Office and also from the machinery and engineering division, who sold considerable tonnage of steel sheets in negotiating these claims and by inquiring from Mr. Phillips in Philadelphia, who I thought was a—

Mr. GRAHAM. (interposing.) Who is he?

Mr. BUXTON. Mr. Vernon Phillips is the president of F. R. Phillips & Sons Co., of Philadelphia. He was chairman of the subcommittee of the War Industries Board on scrap iron during the war.

Mr. GRAHAM. What does the firm of Phillips & Sons do?

Mr. BUXTON. They are handlers or jobbers of iron and steel products.

Mr. GRAHAM. Iron and steel products or scrap iron; which?

Mr. BUXTON. Iron and steel products is their principal business. Mr. Phillips, however, has a knowledge of the scrap business; they

do a scrap business. He is also chairman of the board of directors of Perry, Buxton & Doan Co., scrap iron.

Mr. GRAHAM. I imagine no member of your family is connected with this firm, are they?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. Which one?

Mr. BUXTON. My father is president of the Perry, Buxton & Doan Co.

Mr. GRAHAM. And Mr. Phillips is a member of that company?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. And your father is in the scrap metal business?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. Was that your business prior to entering the war?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. So you referred the matter to Mr. Phillips?

Mr. BUXTON. Yes, sir; that was, I simply checked what other information I had. I was endeavoring to get all the information I could about steel sheets.

Mr. GRAHAM. Well, who did you talk to in the Director of Sales Office?

Mr. BUXTON. Capt. Williams.

Mr. GRAHAM. Williams; who is he?

Mr. BUXTON. There is a raw materials section in connection with the Office of Director of Sales, and he has charge of the iron sales, as I understand it. That is, they have large quantities of raw materials in consequence of the stopping of all these orders, and which the Government is selling; receiving proposals in all the different zones, and he has some duties in connection with that office.

Mr. GRAHAM. Is he a former civilian, or is he a Regular Army officer?

Mr. BUXTON. I do not know, sir.

Mr. GRAHAM. Well, who else did you talk to in the departments, Mr. Buxton?

Mr. BUXTON. I talked with Capt. Moore, the negotiating officer in this case.

Mr. GRAHAM. The one that made the contract?

Mr. BUXTON. Yes, sir; I think he is called the negotiating officer.

Mr. GRAHAM. The negotiating officer is usually the man that has charge of the actual fixing of the contract?

Mr. BUXTON. I am not thoroughly familiar with that, Mr. Graham; I don't know.

Mr. GRAHAM. All right. Now, you talked with Capt. Williams and Capt. Moore, was it, and Mr. Phillips?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. Did you you say you are a member of this firm?

Mr. BUXTON. Not now, sir; I resigned in June, 1917.

Mr. GRAHAM. Now, proceed, and tell anything further that you did.

Mr. BUXTON. By consulting these people that I have mentioned and from my own general knowledge, I came to the conclusion that 2 cents a pound, f. o. b. Youngstown, was a fair salvage value for the steel sheets in question, and so certified.

Mr. GRAHAM. Now, what did you then do, if anything, Mr. Buxton?

Mr. BUXTON. I told Col. Goetz of my decision in this particular matter. He was the salvage member of the board, and I am working as sort of an assistant to him, or in his office.

Mr. GRAHAM. Yes.

Mr. BUXTON. And I signed my name across the brief of the claim certifying that the salvage sales were O. K.; I simply pinned a slip, as we generally do, in handing the claims back and forth, as they are forwarded from one office to another, stating that I thought the salvage values were satisfactory, and satisfactory settlements to the Government and to the claimant.

Mr. GRAHAM. That concluded your connection with this particular matter, did it?

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. Do you want to ask him anything, Mr. Jefferis?

Mr. JEFFERIS. Mr. Buxton, why would steel ingots be treated as scrap?

Mr. BUXTON. Well, how do you mean, treated as scrap?

Mr. JEFFERIS. I mean, sold as scrap?

Mr. BUXTON. There are a good many reasons for that, I think. It all depends on the general business conditions of the country. As I understand it, the conditions just after the armistice, there was a tremendous quantity of all kinds of billets, steel bars, and of various kinds that were to be used in the various Government contracts and it represented a large surplus, and as you know, the conditions after the armistice were unsettled and there was no market for the material; that is, the mills were not buying freely; as a matter of fact, they were buying very little.

Mr. JEFFERIS. Well, you don't mean to say that that continued up until July, do you, of 1919?

Mr. BUXTON. I think it continued very close to July. I think the steel market began to look better around June or July.

Mr. JEFFERIS. The steel ingots, as a matter of fact, is not scrap?

Mr. BUXTON. It is a manner of scrap; they use a large percentage in making scrap.

Mr. JEFFERIS. What are steel ingots used for?

Mr. BUXTON. It is a semifinished product; an ingot is on its way to be made into some finished products like steel sheets or steel bars. It is simply the first process.

Mr. JEFFERIS. It is advanced beyond what you would really call scrap iron, isn't it; it has gone through one process at least?

Mr. BUXTON. It has been melted.

Mr. JEFFERIS. Well, it is on its way to become steel sheets or whatever it is to be manufactured into?

Mr. BUXTON. It is a semifinished product.

Mr. JEFFERIS. Why should they be treated as scrap?

Mr. BUXTON. Scrap iron is on its way to be made into sheets; it is one process more than scrap.

Mr. JEFFERIS. Then it should be worth more than scrap?

Mr. BUXTON. It is worth the labor more.

Mr. JEFFERIS. The labor is considerable?

Mr. BUXTON. It has been.

Mr. JEFFERIS. And rather expensive?

Mr. BUXTON. Yes; I think so.

Mr. JEFFERIS. It has been an inquiry in my mind as to why steel ingots should be looked upon as what you would call scrap for the purposes of sale.

Mr. BUXTON. They are not, necessarily. You would base the price of the steel ingots, or the value of the steel ingots, comparing it to the price of pig iron going into the manufacture of a steel ingot. In arriving at the cost of the ingot you take the cost of the raw material plus the cost of labor, and that is what this was.

Mr. JEFFERIS. Had the Government fixed any price so far as you know during the war on steel ingots?

Mr. BUXTON. I could not answer; I do not know.

Mr. JEFFERIS. Do you know whether it had fixed any price on scrap iron?

Mr. BUXTON. I believe it had.

Mr. JEFFERIS. What was that?

Mr. BUXTON. \$30, I believe.

Mr. JEFFERIS. A ton?

Mr. BUXTON. A gross ton; yes, sir.

Mr. JEFFERIS. Did you have any acquaintance with the people connected with the Briar Hill Co.?

Mr. BUXTON. No, sir.

Mr. JEFFERIS. Were any of them in Washington here during the time that you were investigating this claim?

Mr. BUXTON. Of the Briar Hill Co., that is?

Mr. JEFFERIS. Yes, sir.

Mr. BUXTON. Not to my knowledge.

Mr. JEFFERIS. Did this Mr. Moore that you speak of insist on the adjustment that he had apparently made at the inception of the settlement?

Mr. BUXTON. Not necessarily in the Briar Hill case, except that any negotiating officer, of course, is sure of his settlement. It is his best judgment, and he simply told me that he thought that was the best settlement that he could reach, or rather in his judgment it was a good settlement to the Government. He did not necessarily insist on it.

Mr. JEFFERIS. Now, Mr. Buxton, isn't it, as a matter of fact, the policy of this claims board to settle at all hazards, if possible, with the contractors and have them keep the material? Isn't there a disposition to give in to them a little in order to get a settlement?

Mr. BUXTON. No, sir.

Mr. JEFFERIS. How is that?

Mr. BUXTON. Not necessarily; not at all hazards, or to have them give in. My experience with the claims board has been that they have been very just to the Government and to the contractor.

Mr. JEFFERIS. Of course all the contractors, I suppose, want it as near for nothing as they can get it—the salvage?

Mr. BUXTON. No; the contractors have followed a form, Circular 111, in making out claims, which entitled them to put in various kinds of expenses. But I should say most of the contractors are very fair and honest in their settlement.

Mr. JEFFERIS. Do you think some of them put in some expenses that they would not put in had it not been for Circular 111?

Mr. BUXTON. That I do not know.

Mr. JEFFERIS. It gave them pretty broad latitude to put in expenses for special facilities?

Mr. BUXTON. Well, it covered, I suppose, a condition existing all over the country; about as good a general circular as you could make up in the settlement of these things.

Mr. JEFFERIS. Well, you spoke also with another one besides Capt. Moore; who was that?

Mr. BUXTON. I spoke with Capt. Williams.

Mr. JEFFERIS. What is his business?

Mr. BUXTON. He is connected with the office of the Director of Sales—the Raw Materials Branch, I think it is called. He tabulates all the sales made in the different zones of raw materials; that is, he has that information at hand, I believe. I do not know just what his duties are.

Mr. JEFFERIS. Do you know anything as to his qualifications as to metal values?

Mr. BUXTON. I don't know what his business was prior to the war. I assume that he was holding a responsible position, as with the Government now.

Mr. JEFFERIS. What you did, as I understand it, you talked with Williams, and Phillips, and Moors, and the information you got from them, plus your experience before you went into the war, you recommended this settlement?

Mr. BUXTON. Yes, sir.

Mr. JEFFERIS. Did you make any extended research as to the value of steel ingots in any other way?

Mr. BUXTON. No, sir; I compared the prices on scrap iron at the time. When the contract was placed and during the war, \$30 a ton was the price at the time the claim was negotiated.

Mr. JEFFERIS. What was the price at the time of scrap iron?

Mr. BUXTON. During the war it was \$30 a ton and at the time the claim was negotiated I think the price, if my recollection is correct—without referring to the paper—I think it was around \$15.60; \$15.50 to \$16.00. That could be verified by quotations from trade papers.

Mr. JEFFERIS. Had the Government taken off the ban, so to speak, from the price that was fixed for scrap at that time?

Mr. BUXTON. Yes, sir.

Mr. JEFFERIS. Now, what do you mean by the time when this was negotiated?

Mr. BUXTON. Well, I refer to the dates—

Mr. JEFFERIS (interposing). That is, the settlement was negotiated?

Mr. BUXTON. Well, I refer to the date in May. I think it was the time the claim was negotiated between the claimant and the negotiating officer.

Mr. JEFFERIS. Does the department follow the policy of going into the prices and values at the time that the negotiating officer negotiates with the claimant, or when it comes to you?

Mr. BUXTON. I don't know as I understand your question.

Mr. JEFFERIS. Well, this claim of the Briar Hill Co. could not have reached your hands, I take it, until some time the latter part of July, 1919?

Mr. BUXTON. Yes, sir.

Mr. JEFFERIS. Now, if I understand you correctly, the negotiating officer was dealing with the Briar Hill Co. in an effort to settle it some time in May, 1919?

Mr. BUXTON. I think I am correct, yes, sir.

Mr. JEFFERIS. Now, do you try to settle it as if the time the negotiating officer took it up or the time it comes to you?

Mr. BUXTON. We necessarily—we should—settle these claims at the time of the settlement with the negotiating officer. In cases where the Government will benefit by the rise in market, if the contractor is disposed, he will grant the Government the difference.

Mr. JEFFERIS. Why do you say it should settle with them at the time the negotiations begin by the negotiating officer on the value at that time?

Mr. BUXTON. In this particular case, you mean?

Mr. JEFFERIS. No; in every case.

Mr. BUXTON. I don't know as I understand your question again.

Mr. JEFFERIS. Well, as I understand it, you generally settle on the values that are ascertained or the market conditions as they exist when the negotiating officer takes up the settlement, unless there has been some violent change in the price and value of such commodity; I am speaking generally.

Mr. BUXTON. Then what is the question?

Mr. JEFFERIS. Well, I asked, do you try to settle on the basis of values as of the time when the negotiating officer negotiated the settlement, or the subsequent value when it reaches your Claims Board?

Mr. BUXTON. No; at the time the claim is negotiated with the negotiating officer and the claimant.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you care to ask anything?

Mr. GARRETT. Mr. Buxton, as I understand the matter, this Briar Hill Steel Co.'s claim was predicated upon several different transactions?

Mr. BUXTON. I believe so.

Mr. GARRETT. The Government purchased from this company certain quantities of standard-gauge steel sheets?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. And also purchased ingots; that is correct, is it? The Government also purchased ingots from them?

Mr. BUXTON. On the original contract, you mean?

Mr. GARRETT. Yes.

Mr. BUXTON. No, sir. I am not familiar with that; that is really not my function.

Mr. GARRETT. Then the ingots that are in question here were either purchased by this company for the purpose of making these corrugated sheets of roofing or were purchased by that company for that purpose?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. When it came to the matter of settlements then there was a settlement for certain steel sheets that had been finished?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. And there was also settlement for the ingots that were in the raw state?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. Now, this memorandum that has been referred to seems to have been with reference to the steel sheets and not the ingots; is that your recollection?

"Not recommended; salvage value of \$2 cwt. on steel sheets and the ingots.

Mr. GARRETT. And the ingots?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. Now, it is in evidence here that at one time R. R. W. who appears to be Mr. R. R. Wright, in passing upon this claim made the following indorsement:

"Not recommended; salvage value of \$2 cwt. on steel sheets is entirely out of line; market price since April has been \$4.35 per cwt. for black sheets and \$4.65 for corrugated; suggest reduction from face of award of at least \$5,000."

And that was referred to Maj. Holder. Now, was it after that indorsement that this matter came into your hands for investigation?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. Now, tell the committee, please, Mr. Buxton, just exactly what you did in the way of investigation under that particular indorsement of Mr. Wright. What steps did you take to ascertain the facts?

Mr. BUXTON. I first noted that the quoted prices as quoted in the trade journals was \$4.35 per 100 pounds; that was for several months—

Mr. GARRETT (interposing). That is, for black sheets?

Mr. BUXTON. For black sheets. I have knowledge of at least one definite sale made a very few days before, a short time before, of steel sheets of the same character at \$42.50 per gross ton, which is less than 2 cents a pound. I consulted Capt. Williams to see what sales were being made by his department and found better than \$44.80 a gross ton was being realized, and I consulted the negotiating officer, Capt. Williams, of the machinery and engineering division, principally relative to the ingots. I inquired from him if he had any further knowledge of the price of steel sheets. I talked with him several times about steel sheets and I knew his views. Col. Cameron had previously expressed his view on steel sheets and he was of the opinion that the Government could realize \$44.80.

Mr. GRAHAM. Just a moment; let me interrupt; are you telling something now that he told you?

Mr. BUXTON. Col. Cameron?

Mr. GRAHAM. Yes.

Mr. BUXTON. Yes, sir.

Mr. GRAHAM. Is Col. Cameron down there now in the departments?

Mr. BUXTON. No, sir.

Mr. GRAHAM. I don't believe you want him to tell what Col. Cameron said?

Mr. GARRETT. Well, I think his reply is responsive to my inquiry in this, that I asked him what steps he took. I do not know that he need go into the details as to what Col. Cameron told him, but the fact that he conferred with Col. Cameron, I think, is proper.

Mr. GRAHAM. If you think it is, proceed.

Mr. BUXTON. I say, I was of the opinion that \$44.80 a gross ton was a fair settlement owing to the fact that steel sheets, if stored,

or if moved from one storage place to another, and restored, are apt to become rusty and become less valuable.

Mr. GARRETT. That is on the sheets you speak of?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. Not on the ingots?

Mr. BUXTON. Not on the ingots; no, sir.

Mr. GARRETT. And then did you make any other investigations?

Mr. BUXTON. Then, as I said before, I talked with Mr. Phillips, of Philadelphia, to get his view of the matter and he stated that he thought that the settlement was a good settlement for the Government.

Mr. GARRETT. Was he interested in any way in this contract?

Mr. BUXTON. No, sir.

Mr. GARRETT. What was the Briar Steel Co.—what was their claim on the original, do you remember?

Mr. BUXTON. The amount, you mean?

Mr. GARRETT. No; I mean per hundredweight.

Mr. BUXTON. Why, they offered to buy the steel sheets back for 2 cents a pound; they offered to buy back the ingots, I believe, at \$31.57 per gross ton.

Mr. GARRETT. How long did you have this under investigation, do you remember?

Mr. BUXTON. I think that claim was given to me soon after—probably the next day after I became connected with Col. Goetz, and I think the date of my final approval is on the brief.

Mr. GARRETT. That was the latter part of July that you became assistant to Col. Goetz?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. And you made the two indorsements, did you; one on the brief and one independent of that?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. Well, I hand you this paper here which was handed to me by some gentleman from the department just now [handing the paper to the witness]; it reads:

Recommend settlement; have checked the salvage offers carefully and they are good. Wm. S. B.

Is that your indorsement?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. That does not seem to be dated. Do you know about when that was made?

Mr. BUXTON. That was on the same day that I O. K'd the brief; I do not know that date. It is on the brief.

Mr. GARRETT. Is that it [handing a paper to the witness]?

Mr. BUXTON. Yes, sir; August 11, 1919.

Mr. GARRETT. And that writing across the face of the brief is "salvage value O. K. Wm. S. Buxton, Aug. 11th, 1919." Is that correct?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. And that other indorsement was made the same day?

Mr. BUXTON. Yes, sir.

Mr. GARRETT. Do you know whether this Briar Hill Steel Co. manufactured the ingots which they used or did they buy them?

Mr. Buxton. I do not know as I can answer that truthfully right now. I have known. I did know at the time I investigated this. I have not refreshed my memory on it. My impression was that they—I can not say; I really don't know. It is either one way or the other, and I don't know.

Mr. Garrett. Well, at any rate, it is in evidence that they charged the Government was 9,267 gross tons of ingots at \$48.17 per gross ton; did you make any investigation as to that?

Mr. Buxton. Yes, sir; I asked Capt. Moore particularly if he had checked the cost and how he arrived at it, and he told me that he had been over it thoroughly.

Mr. Garrett. You did not personally check the costs?

Mr. Buxton. No, sir; we assumed that the costs had been thoroughly audited.

Mr. Garrett. And they retained the ingots at a salvage value of \$31.57 per ton?

Mr. Buxton. Yes, sir.

Mr. Garrett. You have stated all the investigation that you made with reference to the salvage value of the ingots, have you? I mean, now—

Mr. Buxton (interposing). Well, with the exception of how I arrived at my own decision in the matter, and that is more or less difficult to state, except as the result of my experience, and that was my best judgment.

Mr. Garrett. Did you know, as a matter of fact, whether there were any ingots at that time moving in the trade?

Mr. Buxton. Ingots, as a rule, are not a standard product—that is not like sheet steel or billets—and I was told or led to believe that there were probably no ingots moving, to any large extent, during this period, up to the time of settlement. However, I neglected to say before that the Ordnance Department had told me of the sale of ingots being made some time, I believe, in April, if I am not mistaken, at a considerably less price, and I have that price somewhere. I have a record of it, but it was considerably less.

Mr. Jefferis. Than 31—

Mr. Buxton (interposing). Than \$31.57.

Mr. Jefferis. Than \$31.57?

Mr. Buxton. Yes, sir.

Mr. Garrett. Well, do you know whether these ingots were standard in size, or were they made to dimension?

Mr. Buxton. Well, I knew the size of those ingots; as I say, an ingot is not necessarily a standard thing.

Mr. Garrett. There is no such thing as a standard ingot?

Mr. Buxton. Well, that is a broad statement, but an ingot is a semifinished product. You might say that scrap is a standard commodity, but it would be hard to define a standard piece of scrap. I knew the size of those ingots.

Mr. Garrett. Now, what was the size?

Mr. Buxton. There is a telegram from the Briar Hill Co. I think 22 by 24 by 17 inches; a pretty large piece of metal.

Mr. Garrett. And they cut those sheets of corrugated roofing from those ingots?

Mr. BUXTON. They are reheated and rerolled, and then further rerolled into sheets. There are several processes beyond the ingot stage.

Mr. GARRETT. I guess that is all.

Mr. GRAHAM. Mr. Buxton, was the firm of which your father was a member doing contract work during the war?

Mr. BUXTON. No, sir; not directly—not to my knowledge, and I don't think that they had any contract with the Government. I am not absolutely sure, but I feel very certain of it.

Mr. GRAHAM. Do you know whether the Phillips firm or whether Mr. Phillips was doing any war-contract work?

Mr. BUXTON. No; he was not. He gave his services, I believe, during the entire period of the war to the Government.

Mr. GRAHAM. Well, in what capacity?

Mr. BUXTON. As chairman of the subcommittee on scrap iron of the War Industries Board.

Mr. GRAHAM. Was he located at Washington?

Mr. BUXTON. I believe so.

Mr. GRAHAM. That is all.

Now, Mr. Caswell, if you are ready we will hear you.

FURTHER TESTIMONY OF MR. C. H. CASWELL—Resumed.

Mr. CASWELL. Mr. Graham, I have six claims here, two of which I am interested in; the other four were handled by Capt. Hodson of the Chicago depot.

Mr. GRAHAM. Interested in what way?

Mr. CASWELL. In the termination of them.

Mr. GRAHAM. That is, you had something to do with terminating them?

Mr. CASWELL. I had nothing to do with the four; with the two I had.

Mr. GRAHAM. I see; in what capacity did you have anything to do with them at all?

Mr. CASWELL. As contracting officer.

Mr. GRAHAM. You made the contract?

Mr. CASWELL. No, sir; in the termination.

Mr. GRAHAM. Negotiating officer?

Mr. CASWELL. My title was contracting officer, the appointment from Washington.

Mr. GRAHAM. Well, the first negotiations of settlement were made by you; were they?

Mr. CASWELL. Yes, sir.

Mr. GRAHAM. And does your name appear on the settlements?

Mr. CASWELL. Yes; recommendations to the board of review; that is, the local board of review at the Chicago depot.

Mr. GRAHAM. Well, now, these claims are what claims; what are the numbers of them?

Mr. CASWELL. Claim HC949C.

Mr. GRAHAM. What is that for; what was that contract for?

Mr. CASWELL. That called for 21,000 boilers—10,500 4½-quart, and 10,500 11½-quart.

Mr. GRAHAM. What is the other claim?

Mr. CASWELL. HC524C, calling for 22,500 boilers—5-gallon, 8-gallon, 10-gallon, 15-gallon and 20-gallon.

Mr. GRAHAM. The claims we have here, Mr. Caswell, are PC712, 797, 724, and 708.

Mr. CASWELL. I had nothing to do with the adjustment of those contracts.

Mr. GRAHAM. Then your testimony would not be material. Those are the only ones we have investigated. I think that is all, Mr. Caswell.

Maj. Holder, of the claims board, now suggests to the committee the presence of Miss Nelle Carleton, and suggests that the committee call her as a witness upon the question of the condition of the memorandum of R. R. Wright and William S. Buxton, with reference to the Briar Hill Steel Co. claim, and offers to prove certain facts by her about those matters. The committee, having inquired into it and conferred, determines that the matter is not material and will not be gone into by the committee at this time.

TESTIMONY OF MR. ROBERT R. WRIGHT.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your name?

Mr. WRIGHT. R. R. Wright.

Mr. GRAHAM. Where do you live, Mr. Wright?

Mr. WRIGHT. My home is in Los Angeles.

Mr. GRAHAM. Are you at this time connected with the War Department in any capacity?

Mr. WRIGHT. Yes, sir.

Mr. GRAHAM. What is your function or duty?

Mr. WRIGHT. Examining the settlements proposed under the act of March 2.

Mr. GRAHAM. How long have you been at that work?

Mr. WRIGHT. Since last March.

Mr. GRAHAM. And prior to that were you in the military service?

Mr. WRIGHT. No, sir.

Mr. GRAHAM. Or in the service of the Government?

Mr. WRIGHT. I was connected with the Labor Department.

Mr. GRAHAM. All during the period of the war?

Mr. WRIGHT. No: since July 1, last.

Mr. GRAHAM. In what capacity?

Mr. WRIGHT. In the Employment Service.

Mr. GRAHAM. You were not in the military service, then, proper?

Mr. WRIGHT. No, sir.

Mr. GRAHAM. What is your age, Mr. Wright?

Mr. WRIGHT. Forty-two.

Mr. GRAHAM. Prior to your working for the Government, what was your business?

Mr. WRIGHT. In connection with the Employment Service of the Labor Department, for the supplying of labor to war contractors.

Mr. GRAHAM. Well; I mean before the war?

Mr. WRIGHT. Before the war, in the investment business.

Mr. GRAHAM. Loans and investments?

Mr. WRIGHT. More particularly placing money for clients.

Mr. GRAHAM. This committee in its investigation of the claim of the Briar Hill Steel Co. had its attention called to a memorandum; we have what is said to be a copy of it here; a photostat copy. This claim was referred to you or came into your possession in some way and you made a memorandum for Maj. Holder, which has the initials, "RRW" and it has heretofore been read into the record in which you refused to recommend a salvage allowance on that particular claim of \$2 per hundredweight. I assume that memorandum was made by you, Mr. Wright [handing paper to Mr. Wright]?

Mr. WRIGHT. It seems to be; it looks like my writing.

Mr. GRAHAM. Do any of you gentlemen have the original of that?

Maj. HOLDER. Yes, sir [handing paper to Mr. Graham].

Mr. GRAHAM. I show you the original [handing paper to Mr. Wright].

Mr. WRIGHT. Yes, sir.

Mr. GRAHAM. Is that your writing?

Mr. WRIGHT. Yes, sir.

Mr. GRAHAM. About when it was made, Mr. Wright?

Mr. WRIGHT. I can not recall the time. I presume you mean the date; I very seldom put a date on the papers, because the papers are not in my possession long.

Mr. GRAHAM. Do you remember the reference of this claim to you?

Mr. WRIGHT. Not directly; that is, I do not remember this particular case.

Mr. GRAHAM. Well, I may say to you incidentally that the claim in this particular case arose out of some steel sheets; the contractor had taken the contract for the making of steel sheets to be used, presumably, for roofing, and when he came to settle his contract he had a large number of those on hand, some of them corrugated and some of them not corrugated; he offered to pay salvage value of \$2 a hundredweight for them, and then evidently the matter was referred to you and you made this memorandum. Do you remember anything about the foundation of your belief as made at that time as expressing your belief that the salvage value was too low?

Mr. WRIGHT. I might, for your information, give you the way I generally made or handled these settlements or inspected them: I would look over the prices and then I would consult the market reports, and if I found the market reports indicated a higher value I noted it and considered that it ought to be investigated as to why that was allowed, but I did not pass on those allowances as an expert acquainted with the facts.

Mr. GRAHAM. Well, in investigating the market reports, how did you do that?

Mr. WRIGHT. I would take the trade reports as they are published.

Mr. GRAHAM. In the newspapers or trade magazines?

Mr. WRIGHT. In the trade journals.

Mr. GRAHAM. I suppose that quotations are made from time to time in those journals fixing prices on certain products?

Mr. WRIGHT. I understand so.

Mr. GRAHAM. Do you know anything about how those quotations are arrived at?

Mr. WRIGHT. No; I could not say; they are used by the trade, I believe, as a basis for values.

Mr. GRAHAM. Did you have occasion in your work to use those quotations or market prices right along?

Mr. WRIGHT. To a large extent.

Mr. GRAHAM. You think that is the way you did this?

Mr. WRIGHT. Very likely, because that was my general custom.

Mr. GRAHAM. Do you have any specific memory about this particular case?

Mr. WRIGHT. No definite recollection. We were handling a good many settlements, you know.

Mr. GRAHAM. They were going through there very rapidly, weren't they?

Mr. WRIGHT. Well, it depends on the time. Recently they have not been so rapid as they were formerly. I might explain that by saying that the pressure was not as heavy as it was earlier.

Mr. GRAHAM. Was the pressure pretty heavy at the time these settlements were being made?

Mr. WRIGHT. I do not recall the date of these.

Mr. GRAHAM. Well, then, at first?

Mr. WRIGHT. Yes, sir.

Mr. GRAHAM. In what way?

Mr. WRIGHT. From the contractors generally; they were very anxious to get their money.

Mr. GRAHAM. And there was a great deal of pressure on all sides to get those claims through?

Mr. WRIGHT. Yes; the contractors would call on us in person and give us a hard-luck story, and so on, and say they were very seriously in need of the money, and press us to hurry the same. At other times the requests would come from a Congressman or sometimes from a Senator.

Mr. GRAHAM. About certain particular cases?

Mr. WRIGHT. Yes, sir.

Mr. GRAHAM. Well, I think that is all I want to ask him. Do you want to ask him anything?

Mr. JEFFERIS. Was this a part of your duty, to make any memorandum as what you thought as to the line of prices?

Mr. WRIGHT. Yes, sir.

Mr. JEFFERIS. Did that memorandum of yours in all cases become a part of the records of the case?

Mr. WRIGHT. I can't say about the intention of it. Probably it was not, because I am reporting to a superior my personal opinion of a settlement.

Mr. JEFFERIS. And you did not know that your memorandum was to become a part of the regular files then in the case?

Mr. WRIGHT. I could not say as to that.

Mr. JEFFERIS. Well, now, as you in a particular case like this, when you did make a memorandum like this, that seemed to question the salvage value of an article, that would go to your superior for his investigation, would it?

Mr. WRIGHT. Yes, sir; his action, whatever he thought was necessary.

Mr. JEFFERIS. And then he would either approve or disapprove the claim or the salvage value?

Mr. WRIGHT. Well, I don't know what action he would take.

Mr. JEFFERIS. Well, he did not necessarily have to act on your memorandum at all, as I understand it?

Mr. WRIGHT. No, sir.

Mr. JEFFERIS. In other words, that was simply for his information, as I understand it?

Mr. WRIGHT. That is it exactly.

Mr. JEFFERIS. And no matter what your superior's action was it did not come back to you in any way for your judgment in any particular case.

Mr. WRIGHT. Very seldom, unless he wished to talk it over with me. I was sometimes asked to go into a matter a little more thoroughly than my memorandum, to explain my reasons for arriving at the memorandum.

Mr. JEFFERIS. Do you remember your superior calling on you for any explanations about your memorandum in the Briar Hill matter?

Mr. WRIGHT. I have no distinct recollection of it.

Mr. JEFFERIS. As I understand you, your duties did not call on you to write out any formal approval, one way or in the other in these matters?

Mr. WRIGHT. No, sir.

Mr. JEFFERIS. You were sort of examining it, I understand, for your superior?

Mr. WRIGHT. Yes, sir.

Mr. JEFFERIS. And making memorandum as to what you thought about it to guide him, rather than any permanent record in the case?

Mr. WRIGHT. That is it.

Mr. JEFFERIS. What is the fact, Mr. Wright, as to what portion of the claims that you have examined that you made memorandums on, on pieces of paper?

Mr. WRIGHT. I should judge the large majority of them.

Mr. JEFFERIS. And how would you attach your memorandum; attach it as a permanent—

Mr. WRIGHT (interposing). Very similar to this; on such a slip as that.

Mr. JEFFERIS. It would not be addressed to anyone in particular?

Mr. WRIGHT. Sometimes to the claims board and sometimes to an individual member of the board.

Mr. JEFFERIS. As to what was done to that memorandum, whether it was attached to the files as a part of it, or thrown in the waste-basket, or what, I suppose you don't know?

Mr. WRIGHT. No, sir; I could not say.

Mr. JEFFERIS. And after you would make your memorandum on a slip of paper the files in that particular claim would never come back to you, I take it?

Mr. WRIGHT. No; it would not be necessary in the routing of the papers for them to come back to me. Sometimes, if for instance, my recommendation was not followed, I would be told why it was not, so as to satisfy my own mind on the subject.

Mr. JEFFERIS. Do you have any recollection as to whether or not you were told anything as to your recommendation on the Briar Hill business?

Mr. WRIGHT. I do not remember the particular case; there may have been and there may not.

Mr. JEFFERIS. Are there any other officers or employees down there examining the claims in the same manner and form that you do?

Mr. WRIGHT. Yes, sir.

Mr. JEFFERIS. Do they follow the same system of making a memorandum on pieces of paper and sending it up with the files on pieces of paper?

Mr. WRIGHT. I presume so.

Mr. JEFFERIS. Have you ever had any experience, Mr. Wright, in ascertaining or learning whether or not these prices as quoted in the trade journals are considered by the trade and the people that are engaged in those lines of business?

Mr. WRIGHT. No; I have never had any direct use of such figures.

Mr. JEFFERIS. From what source or authority were you directed to consult those trade journals?

Mr. WRIGHT. I never had any authority in particular for that.

Mr. JEFFERIS. But you took that method of advising yourself of what was supposed to be the market price on certain lines of material, did you?

Mr. WRIGHT. Yes, sir.

Mr. JEFFERIS. And considered that the source from which you could get information on those subjects?

Mr. WRIGHT. Yes, sir.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. In the earlier part of your testimony, I was reading something here, and did not catch it. Did I understand you to state that you had no particular recollection as to this specific claim?

Mr. WRIGHT. Yes, sir.

Mr. GARRETT. You then followed your general policy of consulting trade journals, you think, in this claim as you have in others?

Mr. WRIGHT. That is my recollection; I know that was my general procedure.

Mr. GARRETT. Before making the statement contained in the memorandum you made no other investigations, except from the trade journals?

Mr. WRIGHT. That is all.

Mr. GARRETT. Did you say you were in the Department of Labor at one time?

Mr. WRIGHT. Yes, sir.

Mr. GARRETT. When did you leave the Department of Labor?

Mr. WRIGHT. About the middle of March.

Mr. GARRETT. This year?

Mr. WRIGHT. Yes, sir.

Mr. GARRETT. Were you connected in any way with that conference about copper that was held there in the Labor Department in January, 1919?

Mr. WRIGHT. No. At that time I was detailed by the Labor Department to the War Industries Board; just after the armistice they detailed me over there to look after the interest of laborers in the cancellation of war contracts; that is, to prevent too large a release of labor at any plant.

Mr. GARRETT. And your connection then with the Labor Department continued up until March?

Mr. WRIGHT. Yes, sir.

Mr. GARRETT. Although you were detailed to service in another department?

Mr. WRIGHT. Yes, sir.

Mr. GRAHAM. I want to recall Maj. Holder a moment.

TESTIMONY OF MAJ. L. W. HOLDER—Resumed.

Mr. GRAHAM. Major, my attention has been called to a contract, or settlement of a contract in the claims board of which you are a member, that it seems to me throws some little sidelight on some of the matters we are investigating here. Do you remember a claim of the Sheet Metal Specialty Co., of Follansbee, W. Va., that went to your claims board?

Maj. HOLDER. I do not remember it offhand, sir.

Mr. GRAHAM. For 7,500 bread boxes. I have the files here [handing papers to Maj. Holder].

Maj. HOLDER. Yes, sir.

Mr. GRAHAM. You remember the claim now, do you?

Maj. HOLDER. Yes; this claim has been through our claims board.

Mr. GRAHAM. Now, I observe that it is signed and sworn to by John Follansbee. Do you know whether that was one of the Follansbees that was mentioned by Mr. Roberts as one of the Follansbee Bros.? As a matter of fact, don't you know that that is a subsidiary corporation of the Follansbee Bros., and John Follansbee is one of the partners?

Maj. HOLDER. I don't know; I was not here last night during Mr. Roberts's statement.

Mr. GRAHAM. Mr. Roberts testified that in order to justify his statement about tin plate he went down to Cleveland, Ohio—

Mr. GARRETT. That is in West Virginia.

Mr. GRAHAM. Well, he went to see the Follansbee Bros., tin-plate makers, and that Mr. Follansbee told him that the value was a certain amount, naming it. Now, what I am trying to get at is whether you know that this Follansbee is a member of the same concern?

Maj. HOLDER. I do not know, sir. I do not personally know the Sheet Metal Co., of Follansbee, W. Va. This case seems to be one that went up from the salvage member of the board.

Mr. GRAHAM. You mean Col. Goetz?

Maj. HOLDER. Yes; apparently he made some reduction.

Mr. GRAHAM. Let me show you something in connection with this claim. Look at the list of materials that is attached to it and compare it from your memory if you can, with the same kind of material that is mentioned in the Stein-Burn claim; 20-gauge 26-coke tin plate; 20-gauge 12½ by 26, and so on. Can you state whether that is the same kind of tin plate that was concerned in the Stein-Burn settlement?

Maj. HOLDER. Well, I could not say, sir. I have little or no technical knowledge of coke tin plate.

Mr. GRAHAM. Well, you could tell as to the sizes, couldn't you?

Maj. HOLDER. I could tell, sir, merely by comparison of the designations or specifications here and comparing it with what was stated in the other case.

Mr. GRAHAM. Well, I will call your attention to the statement of the Stein-Burn claim that is found in our record of this committee,

found on pages 979 and 981 of this committee: 20-gauge 36 by 120; 20 gauge is here and seems to be the same, only a little different in size.

Maj. HOLDER. The gauge seems to be the same, 20, but the dimensions seem to be a little different; although, as I said, I haven't a technical knowledge.

Mr. GRAHAM. Now, look over these papers, Major, and tell us what was finally arrived at as the salvage price that was paid by the contractor for the tin plate. After looking at the files can you refresh your memory so that you can now state what amount was paid as salvage value on tin plate on the claim of this company?

Maj. HOLDER. It would take me some time to examine that. But I will say from an offhand examination that Col. Goetz, through his assistants increased the salvage offer of the claimant, and the first item of the memorandum of agreement of September 3, which apparently is the basis of the negotiation, apparently increases the salvage \$1,489.82; there is also a further sum of \$484.26, and a further sum of \$194.66. That is all entitled, "Less additional allowance on tin and tinned hoop on raw material and commitment." Now, in order to analyze that fact into cents per pound increase of the salvage amount I would have to take some time to study all these papers. I would have to analyze the original statement, also the brief of settlement recommended by the zone and procurement divisions, and it is entirely possible, sir, that after all that is done it would be difficult to reduce the matter down, unless each one of the three items I have mentioned is apportioned to a particular lot of raw materials. It is possible—I won't say it is the case—that there is a lump sum in here with reference to the increase on two or three different kinds of raw materials, and I would like the time to analyze that.

Mr. GRAHAM. Do you know how much was allowed for the tin plate that the Stein-Burn people got? How much a pound it amounted to?

Maj. HOLDER. No, sir; I could not say offhand. Of course, on this record it appears that the award as finally made was \$15,507.15. The award as originally recommended—that is, when it came to our board from the organization which had the initiation of it from the negotiating officer—was \$17,675.89, which, of course, means a saving of \$2,168.74, and that reduction comes in the fact that the claimant finally agreed to increase the salvage amount at which he was to retain the raw material in the settlement. Now, as this settlement is made up, it would be difficult to state offhand the cents per pound or the exact increase made, and it is possible that I might have to have technical assistance on that.

Mr. GRAHAM. When was that settlement?

Maj. HOLDER. The award was finally approved by our board on the 10th of September, 1919. The settlement as recommended was on the 3d of September, 1919.

Mr. GRAHAM. That is, the one that was cancelled, the first time?

Maj. HOLDER. No; the original award, that is, as recommended by the zone, was passed—rather recommended by zone board of contract review on the 29th of July; that was in Philadelphia, apparently, and then passed to our board and we sent it to the salvage member for examination and I would say offhand without

going through all these papers that the salvage member evidently got into touch with the claimant and had a further direct negotiation, as a result of which there was a reduction made in the claim.

Mr. GRAHAM. Well, if you will leave the stand for a moment we will see if Mr. Bennett knows anything about this, or knows enough about this to tell us.

FURTHER TESTIMONY OF D. J. BENNETT—Recalled.

Mr. GRAHAM. Mr. Bennett, have you gone over these papers in the claim we have called to the attention of Maj. Holder?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Have you examined all the papers in the files?

Mr. BENNETT. I think I have.

Mr. GRAHAM. You have examined them?

Mr. BENNETT. I think I have examined all that pertain to the settlement. There are duplicates I have not looked over; there are four duplicate sets here.

Mr. GRAHAM. What happened in this particular claim as shown by the papers?

Mr. BENNETT. It was canceled, it seems, by the war-claims board on authority of Maj. Holder; there is a letter which he writes to the Follansbee concern under date of September 10 from the claims board. Would you like that read?

Mr. GRAHAM. Yes.

Mr. BENNETT (reading):

SEPTEMBER 10, 1919.

167.1 OIP-C

Claims Board, Office Director of Purchases.

Zone Supply Officer, Philadelphia, Pa.

PC-853, Sheet Metal Specialty Co.

1. Award for \$17,675.89 has been disapproved by the claims board, office director of purchase, and marked "canceled." The settlement has been renegotiated by the salvage member of the claims board and the claimant has now agreed to accept the sum of \$15,507.15 in full payment of his claim. An amended award for \$15,507.15 has been drafted, accepted by the claimant, and approved by the War Department claims board.

2. One number of the new award for \$15,507.15 is forwarded to you for payment.

By authority of the Quartermaster General, director of purchase and storage.

L. W. HOLDER,

Major Quartermaster Corps, Member of Claims Board.

Office Director of Purchase.

Mr. GRAHAM. Now, is there anything in the files to indicate why it was canceled or what the judgment of the salvage member was?

Mr. BENNETT. Yes; there is a telegram here, dated August 27, 1919:

AUGUST 27, 1919.

SHEET METAL SPECIALTY Co.,

Pittsburgh, Pa.

Your letter August 22. We suggest additional allowance of 1 cent per pound on items of black and tinned hoop and two items of tin plate. If not satisfactory, send us sizes of material and we will endeavor to find purchaser for you. Immediate action requested.

ROGERS CLAIMS BOARD.

Mr. GRAHAM. Now, following that telegram, what happened? Do you know what offer had been made of salvage before that?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. What was it?

Mr. BENNETT. The salvage on the tin plate was 2 cents a pound.

Mr. GRAHAM. Was that fixed on the original—

Mr. BENNETT (interposing). That was fixed on the original award, 2 cents for tin plate, 2½ for the round bars, and stripes of the hoop iron was 2½.

Mr. GRAHAM. Now, what answer, if any, came from the Follansbee people, or the Sheet Metal Specialty Co., to that?

Mr. BENNETT. Well, I find a letter here, dated August 22; here is another telegram, dated August 18, 1919:

AUGUST 18, 1919.

SHEET METAL SPECIALTY Co.,
Pittsburgh, Pa.:

In order to expedite settlement of your claim for 853, advise by wire if convenient for representative your company to call at this office on Wednesday, August 20, to reconsider salvage offers.

ROGERS CLAIMS BOARD.

Here seems to be the answer to that; it is dated Pittsburgh, August 22, 1919:

PITTSBURGH, PA., August 22, 1919.

THE ROGERS CLAIMS BOARD,
War Department,
Room No. 2522 Munitions Building,
Washington, D. C.

GENTLEMEN: We duly received your telegram, dated the 18th instant, reading as follows:

"In order to expedite settlement of your claim PC-853, advise by wire if convenient for representative your company to call at this office on Wednesday, August 20, to reconsider salvage offers."

We immediately called you on the telephone, and in conversation with Mr. Buxton we were informed that claim No. PC-853, mentioned in your telegram, had reference to cancellation agreement 1239, contract HC-9971P. We wish to confirm mention made to Mr. Buxton that the president of our company is out of the city on vacation, and it will not be possible for a representative of this company to call upon you at this time regarding adjustment of this contract.

As mentioned to you, the extraordinary delay in adjustment and settlement of this claim has caused us great inconvenience and loss, and, in addition, considerable expense and time has been taken up filing claims with the zone supply office in this city, with the zone-supply office in Philadelphia, and also the general supplies division, Washington, and a long correspondence in relation thereto. Representatives of the Government have called upon us and checked up our claim several times.

We understand from your telegram and conversation that you wish us to reconsider the salvage values, claiming that we should make allowance for the tin plate at the rate of 3 cents instead of 2 cents per pound. We desire to say that this entire matter has been gone into several times with Capt. Carl W. Bliss, Mr. Charles W. Arpe, of the general supplies division, with the representative of the zone office in this city early last year, and with Capt. A. S. Orchard, general supplies division, Philadelphia, Pa., and the claim checked over in detail and agreement made that the salvage prices were satisfactory, and we received permission from the three parties mentioned above to sell the material at the best prices obtainable. Considerable of the material has been sold, following these instructions, at the price mentioned—2 cents per pound. It seems very extraordinary and, in our opinion, unreasonable and unfair, that after more than nine months from the time of the suspension of the contract, we are asked to consider salvage values, which, as above stated, have been checked over a great many times and agreed upon as being satisfactory.

In addition to the inconvenience and loss we have sustained by reason of the long delay, for you can realize what this means to a small company like ours, we have suffered a loss of approximately \$8,000 on account of the con-

tract being incorrectly drawn at Washington, and not in accordance with the verbal contract given to us, and for which we have evidence upon our files.

The original contract placed with us was for 10,000 bread boxes, but the contract was made out for 7,500 bread boxes only, and although we believe that we have convinced the Government's representatives on several occasions that we purchased all the necessary material for the 10,000 boxes, we are compelled to reduce our claim to the basis of 7,500 bread boxes, in accordance with the contract incorrectly made out.

We regret that we can not make any further allowance on the salvage values, for nearly all the material has been sold at the price agreed upon.

If you have offers for the material which we still have in stock at a higher price, we would be pleased to have you refer the prospective buyers to us.

We wish to mention that when Capt. A. S. Orchard, of Philadelphia general supplies division, called upon us last June to terminate this contract, we were given assurance that there would be no further delay and a settlement contract forwarded to us very promptly.

We sincerely trust that with the above information and explanation, you can arrange adjustment and settlement of this contract without delay.

Very truly, yours,

SHEET METAL SPECIALTY CO.,
WILLIAM L. REID, *Treasurer*.

Mr. GRAHAM. Now, after that, did this company finally agree to the 3-cent matter?

Mr. BENNETT. Yes, sir; they did.

Mr. GRAHAM. Do you find a letter in the files to that effect?

Mr. BENNETT. Yes, sir; dated August 28.

Mr. GRAHAM. Is there any further communication between the Government and them before they wrote this letter so far as the files show?

Mr. BENNETT. There is a telegram, it seems.

Mr. GRAHAM. What was the telegram?

Mr. BENNETT. They quote the telegram in here; shall I read the letter?

Mr. GRAHAM. I don't think we need the whole letter. What we want is how much salvage was allowed on this.

Mr. BENNETT. The salvage value was compelled to be increased 1 cent a pound on tin plate and 1 cent a pound on black hoops.

Mr. GRAHAM. Did the company finally agree to that?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. After the date of the formal letter that you read?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Now, do you know whether the award was made on that basis?

Mr. BENNETT. The award was made, as near as I can figure it, without getting right down, on that basis. That was the only reduction, and it was figured by three representatives and recommended for settlement. And the only recommendations that are changed is on the tin plate and the other items.

Mr. GRAHAM. Did you ever figure out to find out how much was finally allowed on a pound on this tin plate over the Stein-Burn matter?

Mr. BENNETT. Yes, sir.

Mr. BENNETT. How much was it?

Mr. BENNETT. One cent a pound; this was allowed at three.

Mr. GRAHAM. That is the revised figure, is it?

Mr. BENNETT. That is the revised figure; their original agreement was originally 2 cents a pound.

Mr. GRAHAM. When was the Stein-Burn settlement now as compared with this one?

Mr. BENNETT. I think there was about three days difference between the Stein-Burn and the time this was recommended by the Philadelphia office and sent here, which was penciled by Maj. Holder.

Mr. JEFFERIS. That was not the final settlement then?

Mr. BENNETT. No; the final settlement was since that, in September some time.

Mr. GRAHAM. Did you know these people in your business before you went into the War Department; did you know the Sheet Metal Specialty Co., or was there any such company?

Mr. BENNETT. I did not know the Sheet Metal Specialty Co.

Mr. GRAHAM. Did you know the Follansbee people?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. The Follansbee Bros.?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Is John Follansbee one of that firm?

Mr. BENNETT. John Follansbee is one of the Follansbee Bros., and president of the Sheet Metal Specialty Co.

Mr. GRAHAM. Where is that Follansbee Bros. Co. located?

Mr. BENNETT. Their office is in Pittsburgh, and their factories are at Follansbee, W. Va. Might I mention a comparison of these different settlements, the Stein-Burn and this settlement?

Mr. GRAHAM. If it pertains to this matter.

Mr. BENNETT. It pertains to this matter. The Stein-Burn on tin plate, 1 cent per pound. The original statement of Follansbee, which was handled by the war claims board was 2 cents per pound and afterwards changed to 3 cents per pound. On band iron, Stein-Burn settled on a basis of $1\frac{1}{4}$ cents a pound; Follansbee, the original claim was $2\frac{1}{4}$ cents and that was advanced 1 cent a pound by a later statement. The price of these bread boxes, as fixed by the contract by Stein-Burn, was \$7.50 each; with the Sheet Metal Specialty Co., \$6.75 each.

Mr. GRAHAM. Were they the same size?

Mr. BENNETT. The same size and specifications and everything. The inward handling charges by Stein-Burn was \$5 per ton and the Sheet Metal Specialty Co. was \$1 per ton; \$2,260, as compared with the Sheet Metal Specialty Co. of \$177.80. The Stein-Burn Co. charged \$1,708.48 interest; and the Sheet Metal Specialty Co., nothing. I might incidentally say—I would like to add that the Sheet Metal Specialty Co. showed me their books and records in Pittsburgh, to the satisfaction of anyone that would examine them—that they had a contract for 10,000 bread boxes and through an error in the War Department it was reduced to 7,500, and they had purchased material for 10,000 and lost about \$6,000 on that contract and further were asked to reduce their claim \$2,000.

Mr. GRAHAM. You had no interest in this Follansbee Co.?

Mr. BENNETT. No.

Mr. GRAHAM. Not connected with it in any way?

Mr. BENNETT. No, sir; I used to buy tin plate of them when I was in the business.

Mr. GRAHAM. Any questions?

Mr. GARRETT. Do you know how the condition of the material in the Follansbee Co. compared with the condition of that in the Stein-Burn factory; I mean, as regards the sizes?

Mr. BENNETT. I haven't the sizes here as mentioned in their brief of settlement. The sizes are practically the same. It might vary a quarter of an inch. If you pardon me for this—and I think I have right to assume I know something about it, for I was engaged in the business for 10 years—one manufacturer might buy a sheet a quarter of an inch larger than another on the same item and make a little allowance for shearing it off; otherwise those sheets are identically the same size.

Mr. GARRETT. I got the impression that a good deal of this stuff in the Stein-Burn Co. had been cut up in the factory.

Mr. BENNETT. That was on the fireless cookers.

Mr. GARRETT. And not on these?

Mr. BENNETT. No, sir. Their records show that the bread boxes were completed; they were, the bread boxes, some 50 per cent and some 75 per cent cut up.

Mr. GARRETT. It would look from that settlement that the Follansbee people lost considerable money.

Mr. BENNETT. I think they did.

Mr. GARRETT. That is all.

Mr. GRAHAM. There may also go into the record in connection with this matter a telegram of August 27, 1919, from the war claims board to the Sheet Metal Specialty Co. and a letter from William D. Reid, treasurer of the Sheet Metal Specialty Co. to the war claims board under date of August 28, 1919.

(The telegram and letter referred to are as follows:)

AUGUST 27, 1919.

SHEET METAL SPECIALTY Co.,
Pittsburgh, Pa.:

Your letter August 22. We suggest additional allowance of 1 cent per pound on items of black and tinned hoop and two items of tin plate. If not satisfactory, send us sizes of material and we will endeavor to find purchaser for you. Immediate action requested.

ROGERS CLAIMS BOARD.

SHEET METAL SPECIALTY Co.,
Pittsburgh, Pa., August 28, 1919.

WAR DEPARTMENT,
THE ROGERS CLAIMS BOARD,
Room 2522 Munitions Building, Washington, D. C.

GENTLEMEN: We received this morning your telegram of yesterday's date, reading as follows:

"Your letter August 22. We suggest additional allowance of 1 cent per pound on items of black and tinned hoop and two items of tin plate. If not satisfactory, send us sizes of material and we will endeavor to find purchaser for you. Immediate action requested."

In reply to the above, desire to say that at the time our contract was suspended in November, 1918, we had purchased and on hand all of the necessary material and facilities for the manufacture of 10,000 bread boxes, but on account of the contract being incorrectly drawn at Washington for 7,500 bread boxes only, we were compelled to reduce our claim accordingly, thereby suffering a loss of approximately \$6,000. The material and facilities necessitated an expenditure of over \$30,000, and, due to the extraordinary delay in the adjustment and settlement of the contract, you can realize that there has been con-

siderable loss, not to mention the trouble, annoyance, and inconvenience, in storing this large amount of material, which was of practically no use to us unless used for the manufacture of bread boxes.

In order to avoid further delay, and upon the understanding that you will arrange for immediate settlement, we will agree to an allowance on the tin plate at the rate of 3 cents per pound and on the tinned hoop iron at the rate of 2 cents per pound, although we feel that it will be impossible to obtain these prices for the material we have still on hand. This, accordingly, will make an additional credit for this material at 1 cent per pound, and you are at liberty to change our claim accordingly.

In regard to the black hoop iron, we regret to state that it is impossible for us to make any additional allowance, as we have been endeavoring to sell this material for the past eight months and have been unsuccessful.

We have on hand 22,858 pounds of 1-8, 1 1-4 by 74 black hoop; 46,058 pounds of 1-8, 2 1-2 by 73 black hoop. The best allowance that we can make on this material is 1 cent per pound, but if you can find a responsible buyer at any better price, we will be only too pleased to make the sale and make you the additional allowance.

We will also be glad to have you furnish us responsible buyers for the tin plate we have on hand, at 3 cents or better, in the following sizes: 20 gauge, 26 by 26; 20 gauge, 13 3-4 by 25 3-4; 20 gauge, 12 3-4 by 26; 20 gauge, 16 1-4 by 28 1-4.

Trusting you will give immediate attention to the settlement of our claim, we are,

Yours, very truly,

SHEET METAL SPECIALTY Co.,
WM. D. REID, *Treasurer.*

(And thereupon at 12.30 o'clock the committee stood in recess until 2 o'clock p. m.)

AFTER RECESS.

Mr. GRAHAM. The gentlemen from the Marlin-Rockwell Loading Co. are here. We have introduced some evidence in this matter; in fact, there is the report of Maj. Foster, which appears in our records, which goes over this situation pretty extensively, making some criticisms. Inasmuch as you gentlemen are here, and inasmuch as we will ultimately have to investigate this plant to some extent to see whether there is anything in these charges, we might just as well go into it, and go through the matter with you gentlemen, and get what information you have about it while you are here; so that in the end the committee will not have to call any of you back here and wade through this matter again. We want to make some finding on the charges that have been made and learn whether they are true or untrue; we want to find out the facts. So, while it may delay you longer and take longer time to get through this examination, if we take your statements now it will not mean a delay in the long run, because we will have it all down.

Mr. RALPH A. GAMBLE (attorney for Marlin-Rockwell Loading Co.). That is what we are here for, Mr. Chairman.

Mr. GRAHAM. Who will you have first?

Mr. GAMBLE. We want, particularly, to make a statement coincident with the work. There has been prepared a history of the work. We have here a short summary, chronologically arranged, which will be read to you, and then these gentlemen will answer any questions you will propound to them. We want to give you an idea of what the whole project was.

Mr. GRAHAM. Can't you tell about these things under questioning? My idea is to start in at the beginning with the negotiations for the

project, and go along, step by step, and try to cover all of the ground from the inception of the project. I suggest—you are an attorney, aren't you?

Mr. GAMBLE. Yes, sir.

Mr. GRAHAM. I suggest that you keep notes on the examination, and then at the end of the examination of any witness you may suggest what ground we have not covered and we will go over it. If there are any statements to make explanatory of anything, which you may suggest from time to time, or at the end of the examination of a witness, we will try to go over it. In other words, I want to get out everything you have got; and as we take up the witnesses and go through the matter with them, if we overlook anything you would like to have brought out, you may call our attention to it. But we prefer to proceed in that way rather than to take any written statement, because, in so doing, sometimes we get a lot of statements that are mere hearsay or ex parte statements, and that are not subject to cross-examination, upon which there might be some criticism of this committee. As a matter of fact, in other cases we have refused to take such statements in that form, so I expect we had better adhere to our rule.

Who will you have first, Mr. Gamble?

Mr. GAMBLE. Mr. Tobey, the vice president of the Marlin-Rockwell Loading Co.

Mr. GRAHAM. Mr. Tobey may come around and be sworn.

TESTIMONY OF MR. R. H. TOBEY, VICE PRESIDENT MARLIN-ROCKWELL LOADING CO., NEW YORK CITY.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Tobey, have you been with the Marlin-Rockwell Loading Co. from its first formation?

Mr. TOBEY. Well, I went with the Marlin-Rockwell Loading Co. on April 1, 1918. That was pretty nearly coincident with the incorporation of the company as a legal entity.

Mr. GRAHAM. Are you a member of the Marlin-Rockwell Corporation?

Mr. TOBEY. No, sir; not now, but I have been associated with them.

Mr. GRAHAM. The Marlin-Rockwell Corporation has been organized for a good many years, as I understand?

Mr. TOBEY. I think either the latter part of 1914 or the first part of 1915 it was incorporated under its present name, Marlin-Rockwell Corporation. That succeeded to the Marlin Arms Co., or the Marlin Arms business, at New Haven, Conn.

Mr. GRAHAM. What business was the Marlin-Rockwell Corporation in?

Mr. TOBEY. In the manufacture of machine guns, principally.

Mr. GRAHAM. Are the Marlin machine gun and the Marlin rifle products of this corporation?

Mr. TOBEY. The Marlin rifle was a sporting rifle, made by the predecessor corporation, the Marlin Arms Co. The Marlin machine gun was an adaptation, I think, of the Browning gun—the Browning gun was somewhat refined and changed by the staff of the Marlin-Rockwell Corporation.

Mr. GRAHAM. Some time during the war this Marlin-Rockwell Loading Corporation was formed, as I understand; about when?

Mr. TOBEY. I think April 1, 1918, it was actually formed. That is, it was then incorporated. The history, if I may make that statement, is, as I understand, substantially this: The Marlin-Rockwell Corporation had a good many fixed-price contracts with the Government. The Ordnance Department came out the latter part of 1917 or early in 1918 and said that they proposed to conduct operations for the manufacture of aerial bombs, and rather desired the Marlin-Rockwell Corporation to take it up, the reason being, I presume, that the Marlin-Rockwell Corporation had done a great deal of work for the Government up to that time. The Marlin-Rockwell Corporation's business with the Government had been entirely upon a fixed-price basis of contract, and they said that if they did take up this other work they wanted to do it through a subsidiary company, if, as the Government then stated, they wanted this work done on an agency basis. Negotiations were carried on—and the inception thereof was around the first of the year 1918—which resulted in the incorporation of the Marlin-Rockwell Loading Co. about April 1, 1918, and the actual execution of a contract by the United States Government with the Marlin-Rockwell Loading Co. was made on May 22, 1918.

Mr. GRAHAM. As I understand it, the Marlin-Rockwell Loading Corporation owned patent rights on a certain bomb, called the Barlow bomb

Mr. TOBEY. Yes, sir; that is true.

Mr. GRAHAM. Do you know anything about their relations with the Government as to their testing of this bomb, or anything of that kind, from your personal knowledge?

Mr. TOBEY. From my own personal knowledge, I do not.

Mr. GRAHAM. Do any of these gentlemen here know about those things?

Mr. TOBEY. I think not, because those negotiations were conducted by the Marlin-Rockwell Corporation and not by the Marlin-Rockwell Loading Co. But I can speak from hearsay, which is probably substantially correct, although not from my own personal knowledge.

Mr. GRAHAM. Well, we will see what it is.

Mr. TOBEY. The Barlow bomb, as I understand it, was an invention by a man named Harlow Barlow. There had been some test made of it by the Ordnance Department experts, and at that time it was very highly regarded. The Marlin-Rockwell Corporation was directed to manufacture that bomb so far as the shell itself was concerned, but not as to loading it with ingredients. They took the contract for the manufacture of shells, and that operation was carried on in the Philadelphia plant of the Marlin-Rockwell Corporation. At that time it apparently was the intention of the Ordnance Department to provide a plant for aerial-bomb work; and I always understood that that was one of the reasons why they naturally applied to the Marlin-Rockwell Corporation to load the bomb—that they had previously contracted with the corporation to manufacture the shell. Precisely how many of these bombs were constructed I do not know, but there were a number of them. They were loaded and sent to the other side, and then for various reasons, with which I am not familiar, the bomb was abandoned.

Mr. GRAHAM. About when was it abandoned?

Mr. TOBEY. I should say some time from the 8th to the 15th of June, 1918. The reason assigned for abandoning the bomb was that certain British bombs, the Cooper bomb, I think, was regarded as better, because of cheaper construction and the hazard of the missile functioning was regarded as less by the officers on the other side.

Mr. GRAHAM. Were these drop bombs?

Mr. TOBEY. Yes, sir; it was a demolition bomb. The Barlow bomb was supposed to explode on contact, and the explosion occurred 6 feet from the ground. The plan of the bomb was that the shell itself was demolished, and the shell being demolished and scattered by the explosive force was really the missile.

Mr. GRAHAM. After you went into the Marlin-Rockwell Loading Corporation did you then become familiar with the operations of the building of the plant?

Mr. TOBEY. Of the Marlin-Rockwell Loading Corporation?

Mr. GRAHAM. Yes.

Mr. TOBEY. I went there the 1st of April, 1918, in the capacity of treasurer. Under their form of organization the treasurer naturally has charge of financial matters, all of the accounting with the Government, and also the welfare work and certain other things in connection with the enterprise. The treasurer at that time had no charge of construction.

Mr. GRAHAM. You say this contract was entered into in May?

Mr. TOBEY. It was actually signed in May. The contract was prepared before April 1, but just when I can not say. But I know that it was submitted before April 1 to the Government officer, but the actual execution, for one reason or another, was delayed until May 22, 1918, although prior to that time we had had an informal go-ahead order from the Ordnance Department.

Mr. GRAHAM. Was the Marlin-Rockwell Loading Corporation a subsidiary of the Marlin-Rockwell Corporation?

Mr. TOBEY. Yes, sir. And substantially all of its stock was owned by the Marlin-Rockwell Corporation.

Mr. GRAHAM. Were the officers the same of the two companies?

Mr. TOBEY. To a certain extent, yes. The operating officers, so to speak, those officers who would be stationed at Wilmington, Del., or at the works, about 20 miles south of that city, were not at that time connected with the Marlin-Rockwell Corporation. But the president and secretary and a couple of vice presidents in New York were officers of both corporations.

Mr. GRAHAM. Had the Marlin-Rockwell Corporation ever made any drop bombs? Prior to this time, prior to entering into this contract?

Mr. TOBEY. Yes; they had made these bombs in Philadelphia before this contract was entered into; I think before any overtures were made by the Government looking to its execution. From my own knowledge I can not say when these bombs were made in Philadelphia—that is, when operations began—but, I think, in 1917.

Mr. GRAHAM. I have here a copy of the contract between the Marlin-Rockwell Loading Co. and the United States of America, which, unfortunately, is not signed and is not the original, but it is the one furnished in connection with the claim that has been filed. I

wish you would look at this copy and tell me whether it is a copy of the original contract, except as to the signatures and the dates.

Mr. TOBEY. I think, undoubtedly, Mr. Chairman, that that is a copy, without making a careful examination of it.

Mr. GRAHAM. It is numbered 3542-1231-T. W.

Mr. TOBEY. Yes, sir. That means, as I see it here, War Ordnance No. P-3542-1231-T. W.

Mr. GRAHAM. After the making of this contract what did the Marlin-Rockwell Loading Co. do as regards constructing a plant?

Mr. TOBEY. Well, at the time—if you will pardon me, Mr. Chairman, I think the date of the contract for the purpose of your inquiry is a little bit immaterial. I have always felt, and the company has always felt, that this contract really started along in February or the 1st of March, 1918, although the active definitive contract was not signed until May 22. Therefore, with your permission, I will take that date as the date when the operations rather began.

At that time, after consultations—

Mr. GRAHAM (interposing). You base that upon the fact that you were negotiating back and forth at that time?

Mr. TOBEY. No; a little more than that. We had from the Procurement Division, Ordnance Department, an informal go-ahead order. That is, we were told to prepare plans and to take options on real estate, and various officers from the Ordnance Department visited Wilmington, went over the site and approved it, and informally approved the tentative plans and designs, and discussed with us the kind of bombs they wanted loaded, and what the daily capacity should be, and questions of that kind, which was, really, in advance or goes a little bit further than preliminary negotiations.

Mr. GRAHAM. Was that in February, did you say?

Mr. TOBEY. I should say from the middle of February to the 1st of March, 1918.

Mr. GRAHAM. When did you—

Mr. TOBEY (interposing). With your permission, may I interrupt here?

Mr. GRAHAM. Yes.

Mr. TOBEY. On February 8, 1918, the plans for the proposed loading plant were submitted to the Ordnance Department.

Mr. GRAHAM. Have you a chronological statement of what the progress of this thing was?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. In order to shorten this thing, you might start in and tell us what you did as shown by your statement, refreshing your memory by the use of the memorandum.

Mr. TOBEY. Starting February 8, 1918, a plan for the proposed loading plant was submitted to the Ordnance Department by Mr. P. S. Russel, then general manager of the Marlin-Rockwell Loading Co.

On February 20 a letter was written by Mr. Russel to Maj. Lindsley, of the Ordnance Department, confirming certain conversations regarding the loading of bombs for air planes. A description of the proposed loading site was attached to this letter. On March 1 a letter was written by Maj. Lindsley to the Marlin-Rockwell Loading Co., stating that a requisition for procurement order was

being drawn for the building of a bomb-loading plant to be erected by the Marlin-Rockwell Loading Co.

On March 11 a new layout of the plant was submitted. On March 24 another layout was submitted.

Mr. GRAHAM. Why these various layouts?

Mr. TOBEY. Because, Mr. Chairman, from the time, which we will say was March 1, because apparently that was when we got our procurement go-ahead order—between that time and, I think, August 28 the Ordnance Department five times changed the specifications as to the bomb, or in regard to the ingredients that were to be used.

Mr. GRAHAM. I want you to tell about these as we go along.

Mr. TOBEY. That is in answer to your question as to why the various plans were submitted.

Mr. GRAHAM. Do you further refer in your memorandum to these changes?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. You may proceed.

Mr. TOBEY. On March 10 and 11 a very severe storm broke the dike along the front of the property, inundating it to such an extent that it was deemed advisable to rearrange the layout of the plant design.

In April it was decided that it would be wise to obtain additional property, so that the plant buildings could be moved to a higher elevation, farther away from the river, and so that the village could be moved still farther away from the plant. In the meantime, in spite of frequent requests on the part of the Marlin-Rockwell Loading Co. to the Ordnance Department for a decision as to the nature of the explosive, no definite answer could be obtained.

On May 22 the United States Government executed a contract with the Marlin-Rockwell Loading Co. for the construction and operation of a bomb-loading plant; and at the same time contracts were signed between the Marlin-Rockwell Loading Co. and the F. T. Ley & Co. for the actual construction of the plant. That is the contract in question.

Mr. GRAHAM. The contract which you have already identified?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. The contracts being identified, they will now go into the record.

(The contract, dated May 22, 1918, being the original contract; first supplemental contract, dated May 22, 1918; second supplemental contract, dated September 10, 1918; and with Baldwin's incorporated, dated June 19, 1918, are here printed in full in the record, as follows:)

[Order No. War-Ord-P3542-1281 TW C. P.]

MARLIN-ROCKWELL LOADING CO. AND UNITED STATES OF AMERICA—ORDNANCE DEPARTMENT, UNITED STATES ARMY.

Cost-plus 10 per cent—Construction and operation of loading plant for Barlow heavy drop bombs and high-capacity bombs, Marks I, II, III, IV, V—Dated May 22, 1918.

These articles of agreement, entered into this 22d day of May, 1918, by and between Marlin-Rockwell Loading Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having its general office at Wilmington, Del. (hereinafter called the agent), of the

first part, and the United States of America, by Samuel McRoberts, colonel, Ordnance Department, National Army (hereinafter called the contracting officer), acting under the authority of the Secretary of War and by direction of the Chief of Ordnance, United States Army, of the second part:

Witnesseth,

Whereas a state of war exists between the United States of America and the Imperial German and the Imperial and Royal Austro-Hungarian Governments, constituting a national emergency, and in the prosecution of which there will be required quantities of ordnance material; and

Whereas the agent possesses experience in and qualifications for loading aerial munitions; and

Whereas the Government desires to avail itself of such experience and qualifications:

Now, therefore, under the provisions of section 120 of an act of Congress relating to national defense, approved June 3, 1916, and pursuant to all other laws of the United States and the Executive Orders of the President of the United States or heads of its departments under which the requirements of advertisement for proposals are dispensed with and contracts in the form hereof duly authorized, and in consideration of the mutual agreements herein contained, the said parties have agreed and by these presents do agree to and with each other as follows, viz:

ARTICLE I. The agent agrees to procure the use and occupancy by purchase or otherwise of a site suitable for a plant for the loading, assembling, and packing and shipping of aerial munitions, of the capacity hereinafter provided for in this article, at such place and upon such terms as may be approved by the contracting officer.

The Government will lease the land from the agent upon the execution of this contract, or as soon thereafter as the agent acquires the use and occupancy of the land. The term of the lease covering the land so procured will end at the option of the Government, and the term of the lease covering the land occupied under lease will be coterminous with the principal lease. With reference to land owned by the agent, the lease will provide that in the event the Government is at any time authorized to purchase the land in question, the agent will transfer title and deed the same to the United States, upon payment of the difference between the amount to that time paid under the lease and the actual cost of the land, which cost will include the purchase price thereof and the expenses incident to the acquirement thereof, with interest at the rate of 6 per cent per annum, and also local taxes and water rents paid by the agent to that date. The lease will also provide that upon the termination thereof, if the United States does not purchase the land in question, as above mentioned, the agent will sell the land for the best price obtainable and in the manner directed by the Chief of Ordnance, and the agent will thereupon immediately refund to the United States the difference between the proceeds of such sale plus the total of all moneys paid the agent under the lease and the actual cost to that date of the land, computed as above. No revocation or cancellation of the contract and the agency herein created shall affect the term of the lease above described, it being the intention of this provision that the agent shall be completely protected against any loss by reason of such cancellation.

The agent agrees to furnish plans, specifications, and general designs for and to construct upon said site, with all possible speed, a plant for the loading of aerial munitions with high explosives, and for assembling and packing the same, and to provide proper shipping facilities for water transportation of loaded aerial munitions, such aerial munitions to consist of bombs known as the Barlow heavy drop bombs, demolition bombs, Mark I, II, III, IV, and V, or such additional bombs or types of bombs as the agent's capacity and facilities may permit. Such plant shall have a daily capacity for the loading, assembling, packing, and shipping of approximately 500 Barlow heavy-drop bombs, 1,000 Mark I high-capacity drop bombs, 500 Mark II high-capacity drop bombs, 3,000 Mark III high-capacity drop bombs, together with estimated future requirements of 500 Mark IV high-capacity drop bombs, 250 Mark V high-capacity drop bombs (loaded with trinitrotoluol or other explosive) per day of 24 hours. The plant shall be constructed so that further units may from time to time be added, if desired. All buildings erected as part of such plant shall be of temporary character. It is estimated that the plant will cost from \$1,250,000 to \$1,500,000, depending upon the kind of explosive to be used therein, and it is understood that, based upon the agent's best judgment, developed by past ex-

perience, the plant will be partially ready for operation on or about three months after the date of execution of this contract, and will be entirely ready for operation within six months from the time when the United States notifies the agent of the character of explosive to be used in the loading, assembling, and packing herein provided for.

The agent agrees to develop an organization to operate the plant and agrees and is employed to load, assemble, pack, and ship 50,000 Barlow heavy-drop bombs, 100,000 Mark I, 50,000 Mark II, and 200,000 Mark III high-capacity drop bombs, or such other types of bombs as may be desired, or the equivalent in value thereof otherwise distributed, with trinitrotoluol or such material as the Chief of Ordnance may direct.

ART. II. The Government will furnish to the agent all the components of the aerial bombs and the explosive for loading, assembling, and packing and all material entering into the finished product, except incidental materials readily obtainable in the open market. The agent will furnish all labor and such materials and supplies as are not furnished by the Government necessary for the complete construction and operation of the plant and for the loading, assembling, and packing of the aerial munitions as hereinbefore described, and will deliver the aerial munitions, loaded, assembled, and packed as soon as possible after the components have been received by the agent.

Title to the building, machinery, equipment, components, and all other items paid for by the United States shall immediately upon coming into the possession of the agent or upon payment therefor by the United States, vest in the United States. And the agent will exercise due care in handling and operating such property. All buildings, machinery, equipment, etc., that may be upon land not owned by the United States shall be removable by the United States and shall not be deemed a part of such land.

ART. III. The Government will make the following payments to the agent:

(a) For land which the agent has purchased, and from the date when the use of the land under this contract begins, it will be paid an annual rent of \$70,000 in equal monthly installments until such time as the total cost of the land, including expenses incidental to the acquisition thereof and all local taxes and water rents paid by the agent to that date, have been reimbursed to the agent with interest at the rate of 6 per cent per annum, and thereafter the Government will pay all local taxes and water rents assessed against the land.

(b) Should the agent be unable to purchase the land or any portion thereof, it is to lease such land under terms to be approved by the contracting officer, and in which event the Government will sublet the land from the agent on the terms and conditions of the principal lease or leases.

(c) All costs actually or necessarily incurred in the construction and equipment of the plant, and in addition a sum equal to 10 per cent thereof to cover the agent's services in preparing the general design of the plant; exercising engineering supervision other than local supervision; administration other than local administration; pro rata share of overhead expense other than local overhead expense; and profit.

It is understood that the cost of the bond referred to hereafter in Article XV, and the Federal and State incorporation taxes, and expenses of the agent, shall be included as part of the cost of construction.

(d) All cost of operation determined in accordance with this contract and Schedule I, attached hereto and made a part hereof, and in addition there will be paid to the agent as profit:

(1) A sum equal to 10 per cent of the cost of loading, assembling, packing, and shipping; 25 per cent of the initial quantity of bombs, of any individual size or type, which the agent is directed to load, assemble, and pack under this agency.

The profit to be paid to the agent for loading, assembling, packing, and shipping of bombs in excess of the above quantities will be determined on the basis of the cost established for each type of bomb as follows:

The base cost shall be the actual cost obtained during the operation of the plant for any type of bomb and for such period of time as may be designated by the Chief of Ordnance after 25 per cent of the initial quantity of bombs, of any individual size or type, which the agent is directed to load, assemble, and pack, as aforesaid, shall have been loaded, assembled, packed, and shipped, and loaded in any unit of the plant operating at least 70 per cent of its rated capacity.

After 25 per cent of such initial quantity as above mentioned shall have been loaded, assembled, packed, and shipped, and until such base costs are

established, the agent shall be paid 10 per cent of the costs, subject to adjustment when the base costs are established.

For the 75 per cent of each type or size of bomb, remaining to be loaded, assembled, packed, and shipped, the agent will be paid as a profit a sum equal to 10 per cent of the base cost of such type or size thus established and also 50 per cent of any saving in the cost of loading, assembling, and packing the remaining 75 per cent of such size and type of bomb below the base cost as determined above: *Provided, however,* That in no event shall the total profit exceed 15 per cent of the base cost.

In the event that the United States shall place order for the loading of additional bombs with the agent, the base cost established for the above 75 per cent of the bombs ordered loaded hereunder, may, at the option of the agent, be applied as the base cost of such additional bombs in excess of the quantity herein required.

The Government and the agent mutually agree to use their best efforts to assure the base cost being determined as promptly as possible after the 25 per cent of the initial quantity of bombs of any size or type, so required as aforesaid, have been loaded, assembled, packed, and shipped.

It is the intent of the Government that the base cost so established shall be such as to enable the agent, with the knowledge and experience gained during the preliminary operation of the plant, to lower its costs (by efficient operation and careful supervision) to 90 per cent of the said base cost. After so establishing the base cost the same shall be at any time properly revised to take care of any condition not within the agent's control which affects the actual loading costs for a period of 30 days or more, by an amount equal to 2 per cent or more of the cost of loading, assembling, packing, and shipping.

During the construction and operation of the plant the Government will make prompt payments and will attach a disbursing officer at the plant or office of the agent. The disbursing officer will be instructed to pay promptly all bills, vouchers, and pay rolls certified as proper and correct by the agent. To all such payments made by the local disbursing officer there will be added on account of the profit allowed under subdivisions C and D of this article a sum equal to 7½ per cent of all such payment of cost.

The remainder of the profit will be paid upon the proper certificate of the Chief of Ordnance by the Finance Section, Ordnance Department, Washington, D. C., subject to the reservations in this contract applicable to such payments.

The remainder of the profit will be withheld until the performance of this contract has been completed, except that when the moneys so withheld reach the sum of \$50,000, then the Chief of Ordnance may direct that no further payments shall be withheld. When the construction of the plant has been completed the money until then withheld in excess of \$35,000 will be paid to the agent, and thereafter the Chief of Ordnance may direct that no further deductions be made from payments thereafter accruing. Upon the completion of the contract the moneys until then withheld will be paid to the agent, except that the Government may retain out of the \$35,000 so withheld an amount sufficient to cover any claims the Government may have against the agent pending a settlement thereof. The Chief of Ordnance reserves the right to investigate and question the propriety of any expenditures by the agent until the contract has been completed and so certified by the Chief of Ordnance.

ART. IV. The plans, drawings, and specifications for the plant and the construction and operation thereof shall in all phases and at all times be subject to the inspection of the Chief of Ordnance or his duly accredited representative. The agent will promptly effect any recommendation as to construction or method of operating the plant or in the processes followed in the loading of the bombs or any other change directed by the Chief of Ordnance. If such change involves a substantial additional or reduced expense, a fair addition or reduction, as the case may be, will be made to the base cost, if such has been established, upon which the profit is fixed so that the agent will neither benefit nor lose by reason of any such change.

The Government will reserve the right to furnish lumber, nails, cement, brick, and steel necessary in the construction of the plant, and to the extent that the Government exercises this right it will agree to make deliveries of materials of suitable quality at such times and in such quantities as the bills of materials which the agent will furnish provide.

ART. V. The agent is authorized to do all acts which are in accordance with the laws and the Army Regulations necessary or convenient in and about the construction and operation of the plant, to make contracts and incur obligations

in the name of the Government, and to employ such persons as it may deem essential and necessary for the local construction and operative organizations, including the auditing of accounts. The Government shall hold harmless and indemnify the agent against any and all risks by reason of accident, fire, flood, explosion, public liability or employers' liability, arising or growing out of the construction and operation of the plant, and will defend all claims or suits for damages and satisfy any and all judgments, as well as legal liabilities. This protection shall extend to the Marlin-Rockwell Corporation as well as to the agent, in so far as the Marlin-Rockwell Corporation may be made the defendant in suits for damages by reason of its interest in or assistance to the agent, as covenanted in tripartite agreement elsewhere herein referred to.

In order to expedite the construction of the plant, the agent will be given freedom in the exercise of its judgment as to the preparation of the plans and in the preparation of specifications of material and equipment to be used in construction and in the arrangement of the plant, subject only to any change or revocation specifically ordered by the department. The Chief of Ordnance shall have the right to inspect all plans, drawings, and specifications, subcontracts, and all other writings and papers in any way relating to the exercise of the agency herein created.

ART. VI. The Government will reserve to itself the right to revoke and terminate the agency to construct the plant at any time. In the event that such right is exercised on or before three months from the date of execution of this contract, the Government will pay to the agent, in addition to the cost of construction paid or incurred to the date of such revocation or termination, a sum which, together with the 10 per cent allowed in subdivision C of Article III of this contract, will not be less than \$35,000 for each month, and proportionately for any portion of a month during which the agency has been in operation.

ART. VII. It is understood that no change will be made in the officers or directors of the agent, which now include the officers of the Marlin-Rockwell Corporation, without the consent of the Chief of Ordnance in writing.

Concurrently with the execution of this contract a tripartite agreement has been entered into by and between the Marlin-Rockwell Corporation, the agent, and the United States, wherein and whereby the Marlin-Rockwell Corporation guarantees to furnish to the United States and to the agent, as and when and to the extent required in the construction and operation of the said plant:

(a) The services of its engineering, purchasing, operating, and other special technical departments, officers, and employees.

(b) The right to use all plans, drawings, specifications, patents (other than those covering inventions of Lester P. Barlow pertaining to the construction or design of such bombs as are covered by contract of January 29, 1918, between Marlin-Rockwell Corporation and Lester P. Barlow), processes, and trade secrets possessed by it.

(c) Such cash advances bearing 6 per cent interest, as and when required, provided, however, in no event that the Marlin-Rockwell Corporation shall be required or expected to advance a total of more than \$125,000 in addition to any amounts that may be needed for the purchase of land upon which the plant of the agent is to be erected.

Such agreement is hereby made a part hereof and a copy annexed hereto and shall continue during the life of this contract and will be subject to modification only by and with the consent and approval of the United States.

ART. VIII. At any time before the completion of this contract the Government shall have the right to extend the agency herein created to provide for the loading, assembling, packing, and shipping of such additional bombs as may be required to the number herein contracted for, or less.

ART. IX. This contract shall not nor shall any right to receive payment or any other interest therein be transferred or assigned by the agent to any person, firm, or corporation. The agent shall, unless otherwise directed by the Chief of Ordnance, insert in every contract hereafter made relating to the performance of this contract a provision that such contract is made by or for the benefit of the United States and may be assigned to the United States.

ART. X. No Member of or Delegate to Congress or Resident Commissioner of the United States is or shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this article shall not apply to this contract so far as it may be within the operation or exception of section 116 of the act of Congress approved March 4, 1909 (35 Stats., 1109).

No person or persons shall be employed in the performance of this contract who are undergoing sentences of imprisonment at hard labor which have been

imposed by the courts of the several States, Territories, or municipalities having criminal jurisdiction.

ART. XI. In addition to the ordinary precautions heretofore adopted by the agent for the guarding and protection of the plant and work, the agent shall provide such additional watchmen and devices for protection of the plant and property and the work in process for the United States against espionage, acts of war, and of enemy aliens, as may be required by the Secretary of War. The agent shall, when required, report to the Secretary of War the citizenship, country of birth, or alien status of any and all of its employees. When required by the Secretary of War, it shall refuse to employ or, if already employed, forthwith discharge from employment and exclude from its work any person or persons designated by the Secretary of War for cause as undesirable for employment on work for the United States. The United States shall pay to the agent as part of the cost of the munitions any expense incurred by the agent which shall be determined by the Chief of Ordnance to be directly caused by the requirements of this article.

ART. XII. Except as this contract shall otherwise provide, any doubts or disputes which may arise as to the meaning of anything in this contract shall be referred to the Chief of Ordnance for determination. If, however, the agent shall feel aggrieved at any decision of the Chief of Ordnance upon such reference it shall have the right to submit the same to the Secretary of War, whose decision shall be final and binding on both parties hereto.

ART. XIII. Wherever the term "Chief of Ordnance" is used in this contract the same shall be construed to include the Acting Chief of Ordnance or any person designated to act as the Chief of Ordnance Department, United States Army, or any person who is accredited as his duly authorized representative.

ART. XIV. Notice under this contract when not actually given to the agent shall be deemed to have been sufficiently given to and received by the agent when mailed in a sealed post-paid wrapper, addressed to Marlin-Rockwell Loading Co., 229 West Ninth Street, Wilmington, Del.

ARTICLE XV. The agent shall furnish to the United States for the account of the Government within 10 days after the execution and delivery of this agreement a bond in the sum of \$880,362.50, conditioned upon the full and faithful performance by the agent of all terms, covenants, and conditions of this agreement on the part of the agent to be performed. Such bond shall be in the form and with sureties satisfactory to the Chief of Ordnance. Unless such bond is furnished within the time limited this agreement may, at the option of the Chief of Ordnance, be canceled.

ARTICLE XVI. It is understood and agreed, and this contract is premised on this understanding, that the United States shall not deliver to the agent, nor shall the agent be expected or required, to load any bombs until the United States shall by purchase or otherwise and to the satisfaction of the agent settle the matter of royalty or claims for royalty growing out of patent rights claimed by the Marlin-Rockwell Corporation, Lester P. Barlow, or his assigns, on certain devices used in drop bombs. In the event of failure of the parties hereto to agree upon a satisfactory settlement of such claims this contract shall, upon the construction of said plant ready for operation, cease and determine, and the provisions hereof in respect to the operation of said plant shall become null and void at the option of either party, said option to be exercised in writing, and such cancellation to become effective immediately.

In witness whereof the parties hereto have caused to be executed under their seals (in sextuplicate) by their respective officers, duly authorized, the day and year first above written.

WITNESSES.

O. K.
C. & M.
ERROL KERR, *Secretary*.
(M.-R. L. Co. Seal.)

SIGNATURES.

MARLIN-ROCKWELL LOADING Co.,
Agent.
EDGAR PARK, *Vice President*.
UNITED STATES OF AMERICA,
By SAMUEL MCROBERTS,
Colonel, Ordnance Department, National Army,
Contracting Officer.

WM. B. MORAN,
By R. P. LAMONT,
Lieutenant Colonel, Ordnance Department, National Army.

Approved :

GD.-----
GP.-----
GR.-----

SCHEDULE I, ATTACHED TO AND A PART OF A CERTAIN CONTRACT BETWEEN MARLIN-ROCKWELL LOADING CO. AND THE UNITED STATES OF AMERICA, AND DATED THE 22D DAY OF MAY, 1918.

DETAIL OF COST ACCOUNTING.

The term "cost" as applied to this contract consists of four elements, which are concretely defined in the following:

- (1) The cost of all direct labor paid for by the agent and used in the production of the articles contracted for herein.
- (2) The cost of all direct materials contained in or forming part of the articles contracted for herein.
- (3) Pro rata share of factory overhead expense applicable to and necessary in connection with the manufacture of the articles contracted for herein.
- (4) Pro rata share of administrative and general expense applicable to and necessary in connection with the manufacture of the articles contracted for herein.

The foregoing paragraphs Nos. 1, 2, 3, and 4 are subject to further amplification as contained in the "Definition of cost pertaining to contracts," to be supplied by the finance division (accounting section) of the Ordnance Department. As conditions arise necessitating changes or modifications in the definitions referred to, the Chief of Ordnance will furnish the agent with information in regard thereto.

UNITED STATES OF AMERICA,

State of Delaware, County of New Castle, ss:

I, Harry D. Allen, do hereby certify that I am the assistant secretary of the Marlin-Rockwell Loading Co., duly qualified and acting as such at the time of the making of this certificate; that the foregoing is a true and complete copy of said contract and of every part thereof, as appears from an inspection of the original of said contract in the files of this company.

In witness whereof, I have hereunto set my hand and affixed the seal of said Marlin-Rockwell Loading Co. on this 20th day of March, A. D. 1919.

[SEAL.]

H. D. ALLEN,
Assistant Secretary.

ARTICLES OF AGREEMENT SUPPLEMENTARY TO ORDER NUMBER WAQ-ORD. P3542-1231Tw BY AND BETWEEN MARLIN-ROCKWELL CORPORATION, MARLIN-ROCKWELL LOADING CO., UNITED STATES OF AMERICA, DATED MAY 22, 1918.

ARTICLES OF AGREEMENT SUPPLEMENTARY TO ORDER NUMBER WAR-ORD. P3542-between Marlin-Rockwell Corporation, a corporation organized and existing under and by virtue of the laws of the State of New York, and having its general office at New Haven, Conn. (hereinafter called the company), of the first part, Marlin-Rockwell Loading Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having its general office at Wilmington, Del. (hereinafter called the agent), of the second part, and the United States of America, by Samuel McRoberts, colonel, National Army (hereinafter called the contracting officer), acting under the authority of the Secretary of War and by direction of the Chief of Ordnance, United States Army, of the third part,

Witnesseth:

Whereas a state of war exists between the United States of America and the Imperial German and the Imperial and Royal Austro-Hungarian Governments, constituting a national emergency and in the prosecution of which there will be required quantities of ordnance material; and

Whereas the agent possesses experience and qualifications for loading aerial munitions, and the United States desiring to avail itself of such experience and qualifications, has this date entered into a certain contract, Order Number War-Ord. P3542-1231Tw, for the construction and operation of a loading plant for Barlow heavy drop bombs and demolition bombs, Mark I, II, III, IV, and V, in which contract it is provided that concurrently with the execution of said contract a tripartite agreement should be entered into between the company, the agent, and the United States, wherein and whereby the company would guarantee to furnish to the United States and to the agent, as and when, and to the extent required in the construction and operation of said plant, the services of certain of the company's departments, the right to the use of certain specifications, patents (as hereinafter defined), processes, etc.,

and such cash advances as might be needed, subject to the limitation hereinafter set forth.

Now, therefore, under the provisions of section 120 of an act of Congress relating to national defense, approved June 3, 1918, and pursuant to all other laws of the United States and the Executive Orders of the President of the United States or heads of its departments, under which the requirements of advertisement for proposals are dispensed with, and contracts in the form hereof duly authorized, and in consideration of the mutual agreements herein contained, the said parties have agreed and by these presents do agree to and with each other as follows, viz:

ARTICLE I. The company shall and does hereby guarantee that it will furnish to the United States and to the agent, as and when, and to the extent required in the construction and operation of the said plant referred to in the contract aforesaid, between the agent and the United States.

(a) The services of its engineering, purchasing, operating, and other special and technical departments, officers, and employees.

(b) The right to use all plans, drawings, specifications, patents (other than those covering inventions pertaining to the construction or design of such bombs as are covered by contract of January 29, 1918, between Marlin-Rockwell Corporation and Lester P. Barlow), processes, and trade secrets possessed by it.

(c) Such cash advance bearing 6 per cent interest, as and when required, provided, however, in no event that the Marlin-Rockwell Corporation shall be required or expected to advance a total of more than \$125,000 in addition to any amounts that may be needed for the purchase of land upon which the plant of the agent is to be erected.

ARTICLE II. This tripartite agreement shall continue during the life of the contract aforesaid, and shall be subject to modifications only with the consent of the United States; and upon the expiration or termination of the contract aforesaid the United States shall have no further right hereunder to the use of anything specified in paragraphs a, b, and c of Article I hereof.

In witness whereof the parties hereto have caused this contract to be executed under their seals (in sextuplicate) by their respective officers, duly authorized, the day and year first above written.

(M-R Cor. seal.)

MARLIN-ROCKWELL CORPORATION,

O. K. C. & M.

By LOUIS E. STODDARD, *Vice President.*

Attest:

ERROL KERR, *Secretary.*

(M-R L. Co. seal.)

MARLIN-ROCKWELL LOADING COMPANY,

By EDGAR PARK, *Vice President.*

Attest:

ERROL KERR, *Secretary.*

UNITED STATES OF AMERICA.

By SAMUEL McROBERTS,

Colonel, Ordnance Department, National Army.

WM. B. MORAN.

By R. P. LAMONT,

Lieutenant Colonel Ordnance, National Army.

[War-Ord. P3542-1231TW.]

MARLIN ROCKWELL LOADING CO. AND UNITED STATES OF AMERICA—ORDNANCE DEPARTMENT, UNITED STATES ARMY—SECOND SUPPLEMENTAL CONTRACT, SEPT. 10, 1918.

This second supplemental agreement, entered into this 10th day of September, 1918, between the Marlin-Rockwell Loading Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having its principal place of business in the city of Wilmington, State of Delaware (hereinafter called the agent), party of the first part, and the United States of America, acting through and represented by William Williams, Lieutenant Colonel, Ordnance Department, United States Army, duly authorized, under authority of the Secretary of War, to make and execute contracts to be per-

formed under the direction of Samuel McRoberts, brigadier general, Ordnance Department, United States Army, or his successor, as head of the Procurement Division, Office of the Chief of Ordnance, party of the first part.

Witnesseth:

Whereas, the parties hereto have entered into an agreement numbered War-Ord. P3542-1231Tw, dated May 22, 1918, whereby the Marlin-Rockwell Loading Co., as agent, was to construct and operate a loading plant for Barlow heavy drop bombs and high-capacity bombs, Marks I, II, III, IV, V, on a basis of cost plus 10 per cent, the estimated cost of the construction being from \$1,250,000 to \$1,500,000, and by the terms of Article XV of which agreement, the Marlin-Rockwell Loading Co. was to furnish to the United States a bond in the sum of \$880,362.50, conditioned upon the full and faithful performance of all terms, covenants, and conditions of the agreement, the cost of which bond was to be included as a part of the cost of construction, for which the United States was to reimburse the contractor; and which agreement was supplemented by a tripartite agreement, dated May 22, 1918, between Marlin-Rockwell Corporation, Marlin-Rockwell Loading Co., and the United States of America, whereby Marlin-Rockwell Corporation guaranteed to furnish to the United States and to Marlin-Rockwell Loading Co., as and when, and to the extent required in the construction and operation of the plant referred to in the original agreement:

(a) The services of its engineering, purchasing, operating, and other special technical departments, officers, and employees.

(b) The right to use all plans, drawings, specifications, patents (other than those covering inventions of Lester P. Barlow pertaining to the construction or design of such bombs as are covered by contract of January 29, 1918, between Marlin-Rockwell Corporation and Lester P. Barlow), processes, and trade secrets possessed by it.

(c) Such cash advances, bearing 6 per cent interest, as and when required, but not to exceed \$125,000.

Whereas it is desired to supplement and amend said agreement in the interest of the United States so as to provide that the amount of the bond, as required by Article XV of the original agreement, shall be reduced from \$880,362.50 to \$250,000, thereby decreasing the amount of the premium required to be paid by the United States.

Now, therefore, under the laws of the United States in such cases made and provided and in consideration of the mutual agreements herein contained, the said parties have agreed and by these presents do agree to and with each other as follows:

ARTICLE I. Article XV of the original agreement, dated May 22, 1918, reading as follows—

"ART. XV. The agent shall furnish to the United States for the account of the Government, within 10 days after the execution and delivery of this agreement, a bond in the sum of \$880,362.50, conditioned upon the full and faithful performance by the agent of all terms, covenants, and conditions of this agreement on the part of the agent to be performed. Such bond shall be in the form and with sureties satisfactory to the Chief of Ordnance. Unless such bond is furnished within the time limited, this agreement may, at the option of the Chief of Ordnance, be canceled."

is hereby stricken out with the same force and effect as though the same had never been contained therein, and the following Article XV substituted therefor:

"ART. XV. The agent shall furnish to the United States for the account of the Government, within 10 days after the execution and delivery of this agreement, a bond in the sum of \$250,000, conditioned upon the full and faithful performance by the agent of all terms, covenants, and conditions of this agreement on the part of the agent to be performed in so far as the same relate to the construction of the loading plant, and such other bonds as may be, at any time hereafter, in the discretion of the contracting officer, required in the performance of this agreement with respect either to the construction or operation of the loading plant. Such bond shall be in the form and with sureties satisfactory to the Chief of Ordnance. Unless such bond is furnished within the time limited, this agreement may, at the option of the Chief of Ordnance, be canceled."

ART. II. Except as herein modified, all the terms and conditions of the agreement dated May 22, 1918, as supplemented by first supplemental agreement, also dated May 22, 1918, shall remain in full force and effect.

In witness whereof, the parties hereto have caused this contract to be executed under their seals and by their duly authorized officers the day and year first above written.

WITNESSES:

H. D. ALLEN, *Assistant Secretary.*
F. A. OSCEWAGE.

SIGNATURES:

MARLIN-ROCKWELL LOADING CO.,
Contractor,
By H. R. TOBEY, *Vice President.*
UNITED STATES OF AMERICA,
By WM. WILLIAMS,
Lieutenant Colonel, Ordnance Department,
United States Army.

[M. R. L. Co. SEAL.]

CONTRACT BY AND BETWEEN BALDWIN'S (INC.), SPRINGFIELD, MASS., AND MARLIN-ROCKWELL LOADING CO., AGENT, UNITED STATES GOVERNMENT ORDNANCE DEPARTMENT, UNITED STATES ARMY.

CONTRACT FOR EMERGENCY WORK—OPERATION OF COMMISSARY AT AERIAL MUNITIONS LOADING PLANT NEAR DELAWARE CITY, DEL.

Contract made (for the benefit of the United States) and concluded this 19th day of June, 1918, by and between Baldwin's (Inc.), a corporation organized under the laws of the State of Massachusetts, party of the first part (hereinafter called "caterer"), and Marlin-Rockwell Loading Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware, having its general offices at Wilmington, Del., agent for the United States of America, party of the second part (hereinafter called "agent"):

Witnesseth:

Whereas the Congress having declared by joint resolution approved April 6, 1917, that war exists between the United States of America and Germany, constituting a national emergency, and the United States urgently requires the immediate performance of the work hereinafter described, and it is necessary that said work shall be in operation within the shortest possible time; and

Whereas said agent entered into an agreement with the United States of America on May 22, 1918, for the construction and operation of a plant for the loading of aerial munitions; and

Whereas it is advisable, under the disturbed conditions, for the United States to depart from the usual procedure in the matter of letting contracts and adopt means that will insure the most expeditious results; and

Whereas the caterer has had experience in the operation of similar work, has an organization suitable for the performance of such work, and is ready to undertake the same upon the terms and conditions herein provided:

Now, therefore, this contract witnesseth: That in consideration of the premises and of the payments to be made as hereinafter provided, the caterer hereby covenants and agrees to and with the agent as follows:

ARTICLE 1. *Buildings.*—The agent agrees to provide suitable buildings and quarters for use as a restaurant, lunch room, or eating establishment, together with the necessary kitchens, bakeries, storerooms and appurtenances, and sleeping and living quarters for use of commissary employees. The agent shall be the sole judge as to location and design of the various restaurants and establishments and may from time to time change the same and substitute others therefor.

ART. 2. *Design.*—The caterer agrees to give to the agent the benefit of its experience in the matter of construction and design of said equipment.

ART. 3. *Extent of work.*—a. The caterer shall (first obtaining the approval of the agent) purchase all restaurant and kitchen fixtures and equipment required for the operation of the commissary, and, in addition thereto, purchase all food and other material consumed in or sold through the commissary and stores except as otherwise directed by the agent.

b. The caterer shall operate said commissary in a proper manner and to the satisfaction of the agent and shall conform to any sanitary or other regulations imposed by the agent. Food served by the caterer shall be proper and nutritious in quantity, quality, and kind; the service and all other matters in relation thereto, including the time of serving and the prices, shall be subject to the approval of the agent.

c. The caterer shall include, as part of the services rendered by the commissary, the sale of cigars, cigarettes, confectionery, soft drinks, and other light commodities, including such additional goods and merchandise as may be elected by the agent, but no spirituous, malt, or other intoxicants shall be sold, used, or allowed upon the premises.

d. The caterer shall hire and discharge the necessary employees and fix the wages or compensation, subject to the approval of the agent. No person, however, shall be employed or retained in the employ of the caterer when unsatisfactory to the agent, as evidenced by a written notice from the agent to the caterer.

The caterer shall keep a detailed account and render monthly report of all purchases, receipts, and disbursements. Such accounts and reports shall be kept in a manner satisfactory to the agent and shall be, at all times, subject to auditing and inspection by the agent.

All of the above shall be hereinafter called "work."

ART. 4. *Receipts*.—The caterer shall deposit all funds received in the operation of the commissary or from the agent for the purpose specified hereunder in a trustee account in such place or places, as may be determined by the auditor of the agent.

The title to funds so deposited shall be in the agent, pending withdrawal as elsewhere provided herein.

ART. 5. *Additional funds*.—The agent shall, to said trustee account, deposit such additional sums as may be required, and, from said account shall be withdrawn such amounts as may be elected by the agent.

ART. 6. *Determination of fee*.—On or about the 7th day of each month the caterer shall prepare statement showing as completely as possible:

A. The cost of labor up to and including the last day of the previous month;

B. The cost of materials furnished by the caterer up to and including the last day of the previous month;

C. The cost of equipment up to and including the last day of the previous month; and the caterer shall at such time deliver to the agent the original signed pay rolls for labor, material and equipment, and all other original papers not theretofore delivered, supporting expenditures claimed by the caterer and included in the cost of the work.

The agent shall, prior to the 15th day of each month, pay to the caterer the cost of the work mentioned in A, B, and C, of this article, less all previous statements, and, in addition thereto, shall pay the caterer for its services the following prescribed fee:

a. Upon a net cost of operation to an amount not exceeding \$50,000 per calendar month, 7 per cent.

b. Upon the net cost of operation over and above \$50,000 per calendar month, 5 per cent.

ART. 7. *Net cost of operation*.—The "Net cost of operation" shall include the following:

a. The net cost of all equipment and utensils necessary and suitable for the equipment and operation of the work as authorized hereunder.

b. The net cost of all foodstuffs and supplies paid for during the preceding month.

c. Wages and salaries paid to the employees employed in the operation of the work, with necessary transportation, travelling, or other incidental expenses reasonably incurred.

The compensation of field men whose services may be divided between two or more plants of the caterer shall be charged in proportion to their actual time spent in connection with the work, all subject to the approval of the agent.

ART. 8. *Not allowed as cost*.—The "Net cost of operation" shall not include:

a. The cost of maintenance, repair, or renewal of said equipment and utensils.

b. The cost of the commissary building, including plumbing, heating, electrical equipment, or facilities installed therein by the agent.

c. The cost of lighting or heating buildings used for work.

d. Salaries of the executive officers of the caterer.

ART. 9. *Agent's approval of cost*.—If there be any item or items entering into such statement upon which the caterer and agent can not agree, the decision of the agent as to such disputed item or items shall govern.

ART. 10. Title to goods purchased.—The title to all foodstuffs, supplies, equipment, and property purchased by the caterer hereunder and paid for out of the trustee account or from receipts of the commissary or otherwise from funds of the agent shall be in the agent.

ART. 11. Duration of contract.—The terms and conditions of this agreement shall continue for a period of six months from date and for like periods thereafter, unless terminated as provided therein.

ART. 12. Cancellation of contract.—This agreement may be terminated by either party upon 10 days' written notice, and at the expiration of such time all rights and claims of the caterer against the agent shall cease and determine, except that the caterer shall be paid any monthly installment earned and unpaid, together with the proportion of the current monthly payment earned to the date upon which termination becomes effective: *Provided, however,* That should the contract be terminated by the agent within three months of date, caterer shall be entitled, as reimbursement for its expenditures in placing the commissary in operation, to an additional compensation of 3 per cent upon the "net cost of operation" from the date of the contract to the date of termination.

The caterer agrees that such payments when made shall constitute full settlement of all claims of the caterer against the agent for money claimed to be due to the caterer for any reason whatsoever.

In case of such termination of the contract, the agent shall further assume and become liable for all obligations, commitments, and unliquidated claims as the caterer may have theretofore in good faith and with the consent of the agent undertaken or incurred in connection with said work, and the caterer shall, as a condition of receiving the payments mentioned in this article, execute and deliver all such papers and take all such steps as the agent may require for the purpose of fully vesting in him the rights and benefits of the caterer under such obligations or commitments. When the agent shall have performed the duties incumbent upon him under the provisions of this article, the agent shall thereafter be entirely released and discharged of and from any and all demands, actions, or claims of any kind, on the part of the caterer hereunder or on account hereof.

ART. 13. Discounts, rebates, etc.—The agent shall have, at all times, the benefit of the purchasing ability and market knowledge of the caterer, so that the cost of operation of the commissary shall be as low as possible, consistent with the class of service required to be rendered. The caterer shall pay the agent for deposit in the trustee account all discounts, rebates, and other allowances received in connection with the purchase of supplies or equipment hereunder. Such discounts, rebates, and allowances shall be taken in reduction of the operation cost on which the caterer's fee is to be based.

ART. 14. Inspection and audit.—The agent shall, at all times, be afforded proper facilities for inspection of the work and shall, at all times, have access to the premises, to all books, records, correspondence, instruction, receipts, vouchers, and memoranda of every description of the caterer pertaining to said work, and the caterer shall preserve, for a period of two years after its completion or cessation of work under this contract, all the books, records, and other papers just mentioned.

If at any time the agent shall find that bills for labor, materials, or other bills legitimately incurred by the caterer are not promptly paid by the caterer, the agent may, at its discretion, refuse to make further payments to the caterer until such obligations past due have been paid. Should the caterer neglect or refuse to pay such bills within five days after notice from the agent to do so, then the agent shall have the right to pay such bills directly, in which event such direct payments shall not be included in the net cost of the work on which the caterer's fee is to be computed.

ART. 15. Special requirements.—The caterer hereby agrees that it will—

(a) Begin the work herein specified at the earliest time practicable, and diligently proceed so that such work may be completed at the earliest possible date.

(b) Procure for the agent and thereafter maintain such insurance in such forms and in such amounts and for such periods of time as the agent may approve or require.

(c) Procure all necessary permits and licenses and obey and abide by all laws, regulations, ordinances, and other rules applying to such work, of the United States of America, of the State or Territory wherein such work is done, or any subdivision thereof, or of any duly constituted public authority.

(d) Unless this provision is waived by the agent, insert in every contract made by it for the furnishing to it of services, materials, supplies, machinery, and equipment, of the use thereof, for the purpose of the work hereunder, a provision that such contract is made for the benefit of the United States.

(e) In every subcontract made in accordance with the provisions hereof, require the subcontractor to agree to comply fully with all the undertakings and obligations of the caterer herein, excepting such as do not apply to such subcontractor's work.

(f) At all times keep at the site of the work a duly appointed representative, who shall receive and execute on the part of the caterer such notices, directions, and instructions as the agent may desire to give.

(g) At all times use its best efforts in all its acts hereunder to protect and subserve the interest of the agent and the United States.

ART. 16. *Bond*.—The caterer shall, if required by the agent, prior to commencing said work, furnish a bond with suerties satisfactory to the agent to an amount not exceeding \$100,000, the cost of such bond to be included in the "Cost" upon which is determined the fee, conditioned upon its full and faithful performance of all the terms, conditions and provisions of this contract and upon its prompt payment of all bills for labor, materials, or other services furnished to the caterer.

ART. 17. *Convict labor*.—No person or persons shall be employed in the performance of this contract who are undergoing sentence of imprisonment at hard labor imposed by the courts of any of the several States, Territories, or municipalities having criminal jurisdiction.

ART. 18. *Employees*.—The caterer shall, when required, report to the agent, the citizenship, country of birth, or alien status of any or all of its employees. When required by the agent, it shall refuse to employ, or if already employed, forthwith discharge from employment and exclude from its works any person or persons designated by the agent for cause as undesirable for employment. The agent shall pay to the caterer, as part of the cost, any expense incurred by the caterer which shall be determined by the agent to be directly caused by the requirements of this article. The caterer shall also make the provisions of this article applicable to all employees working under such contract with the caterer.

In the event of any dispute with reference to wages, hours, or other conditions appertaining to said work, between the caterer or any subcontractor and labor employed by him on said work, the caterer or subcontractor shall immediately notify the agent of the existence of such dispute and the reason therefor. The agent may, at its option, instruct the caterer or subcontractor involved in such dispute as to the method or steps which the caterer or subcontractor should follow with reference thereto, and the caterer or subcontractor shall thereupon comply with such instructions.

ART. 19. *Rights to transfer or sublet*.—Neither this contract, nor any interest therein, shall be assigned or transferred, the caterer shall not enter into any subcontract for any part of the work herein specified without the consent and approval in writing of the agent. In case of such assignment, transfer, or subletting without the consent and approval in writing of the agent, the agent may refuse to carry out this contract either with the transferor or the transferee, but all rights of action for any breach of this contract by the caterer are reserved to the agent.

ART. 20. *No participation in profits by Government officials*.—No Member of, Delegate to Congress or Resident Commissioner nor any other person belonging to or employed in military service of the United States, is or shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom, but this article shall not apply to this contract so far as it may be within the operation or exception of section 116 of the act of Congress approved March 4, 1909. (35 Stats., 1109).

ART. 21. *Settlement of disputes*.—This contract shall be interpreted as a whole and the intent of the whole instrument, rather than the interpretation of any special clause, shall govern. If any doubts or disputes shall arise as to the meaning or interpretation of anything in this contract, or, if the caterer shall consider itself prejudiced by any action or decision of the agent made under the provisions of article 10 hereof, the matter shall be referred to the Chief of Ordnance for determination. If, however, the caterer shall feel aggrieved by the decisions of the Chief of Ordnance, it shall have the right to submit the same to the Secretary of War, whose decision shall be final and binding upon both parties hereto.

Mr. GRAHAM. You may proceed.

Mr. TOBEY. On June 8 the engineering department was notified—and I mean the engineering department of our company—was notified by Mr. Russel that lyconite would be used for loading the bombs. You understand that Mr. Russel was then the general manager of the Marlin-Rockwell Loading Co.

Mr. GRAHAM. Up to that time, had there been any specifications as to the material?

Mr. TOBEY. Informally and tentatively, but subject all the time to change. Precisely how many changes during that interval I can not state. I can simply state that from the beginning there were five substantial changes made in the ingredients.

Mr. GRAHAM. You, presumably, had gone to no distance in the building operations at that time?

Mr. TOBEY. We had gone to no distance except as to the plant layout. And a change in the ingredients in almost every one of the five cases of change, necessitated a change in the plant layout.

Mr. GRAHAM. Tell us why.

Mr. TOBEY. Because if one type of powder is used, it will require a bigger margin of safety as between the buildings. It may require that you put up sand barricades; for instance, so that if there is an explosion it will go upward and not spread. A difference in ingredients would naturally make a difference in the explosive hazard. Another element for a necessity in the change in plant layout was occasioned by the fact that one kind of ingredients may be loaded largely by machinery, and another may require a great deal more handwork. One might be poured; some of these ingredients might be liquefied and poured.

Mr. GRAHAM. Such as TNT.

Mr. TOBEY. Yes, sir. And another may have to be rammed home in the dry state, or in a plastic state. That requires a different kind of loading, and in considering these different kinds of loading you have to have your plant arranged sequentially so that the work may proceed from one point to another.

Mr. GRAHAM. Up to the time that the lyconite change was made had you laid out your work?

Mr. TOBEY. Yes, sir; we had submitted already two complete plant layouts.

Mr. GRAHAM. Due to replanning?

Mr. TOBEY. Yes, sir. I have a memorandum here that between this date, June 8 and July 1, three plot plans were developed. It had been almost impossible to obtain, up to this time, a statement of the loading program required by the Government; that is to say the exact type of bombs to be loaded, and how many were to be required per day, the original program specified in the contract having been canceled.

Mr. GRAHAM. You may continue your statement.

Mr. TOBEY. As I stated, it had been almost impossible to obtain up to this time a definite statement of the loading program required by the Government. I mean, as to the exact type of the bombs to be loaded, how many would be required per day—the original program specified in the contract having been canceled. The contract makes certain representations as to the number of bombs which should be

loaded, or, it stated the plant should be of capacity to load so many bombs per day, specifying not in detail but in general language.

Mr. GRAHAM. I see specified here 500 Barlow heavy drop bombs, 1,000 Mark I capacity drop bombs, 500 Mark II high capacity drop bombs, 3,000 Mark III high capacity drop bombs, and so on.

Mr. TOBEY. Those marks are simply certain designating numbers to indicate capacity for instance—to contain from 100 pounds of powder up to the heaviest one in my recollection was 540 pounds of powder. Those marks are designating numbers.

Mr. GRAHAM. What change was made in the capacity of the plant?

Mr. TOBEY. No particular change in the capacity of the bombs, but in the ingredients, as to TNT, lyconite, or amatol, and if amatol what the percentage of it.

Mr. GRAHAM. You may proceed.

Mr. TOBEY. On July 5 a letter was written by Mr. J. H. Bigelow, then associated with the Marlin-Rockwell Loading Co., as designing engineer, stating that he had received instructions from Washington as to the nature of construction of the plant buildings. During all this time careful consideration was being given to the selection of the railroad site, the construction of shipping facilities on the water front, the repair of the dike, and the development of water supply. Numerous visits were received from various Government officials, in order to discuss matters relative to plant design, railroad construction, dike repair, etc., but no decision could be obtained as to the nature of the explosive to be used or the loading program.

Mr. GRAHAM. Where was Mr. Bigelow at that time?

Mr. TOBEY. In the employ of the Marlin-Rockwell Loading Co.

Mr. GRAHAM. At Wilmington?

Mr. TOBEY. Yes, sir; at Wilmington.

Mr. GRAHAM. Was he there the most of the time?

Mr. TOBEY. Oh, yes; he was on our regular staff. He was there entirely, except when he might be summoned to Washington for consultation.

Mr. GRAHAM. He did not stay at the Marlin-Rockwell plant that they were building?

Mr. TOBEY. Well, up to that time there were no buildings down there. There was only the site, and, quite naturally, you had to have your drafting room in Wilmington; otherwise they would have been under a maple tree while working on the site buildings. We had to run a spur track a distance of between 8 and 8½ miles to connect with the Pennsylvania lines.

Mr. GRAHAM. Did you say to form a connection with the Pennsylvania Railroad lines?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Where was this plant to be located? Describe it to us.

Mr. TOBEY. Well, it was a site on the Delaware River about 20 miles south of the city of Wilmington.

Mr. GRAHAM. Were there any street cars running there?

Mr. TOBEY. No, sir.

Mr. GRAHAM. The nearest point to a railroad was about 8½ miles?

Mr. TOBEY. Eight and a half miles to a junction point known as Mount Pleasant.

Mr. GRAHAM. What sort of facilities were there for getting back and forth to Wilmington?

Mr. TOBEY. None at that time; when the plant site was located, except by highway—I mean when the plant site was selected.

Mr. GRAHAM. Wilmington is a city of how many inhabitants?

Mr. TOBEY. During the war it grew enormously, and the estimated population was 135,000.

Mr. GRAHAM. So you had to build a railroad out there to get materials in?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Were there good roads out to the place?

Mr. TOBEY. Generally speaking; yes. Some of them needed repairs. When you got off the main highway running right into this property the roads had to be fixed up.

Mr. GRAHAM. Were they hard roads or State roads?

Mr. TOBEY. There were some dirt roads, and very good roads, but needed some repairs.

Mr. GRAHAM. This property ran out to the bank of the Delaware River?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Was it lowland running back to a bluff?

Mr. TOBEY. It was lowland, protected by a dike which had been in there for over 40 years, and the dike had been perfectly efficient until that spring when we got the land under option.

Mr. GRAHAM. Was this land subject to overflow by the tide?

Mr. TOBEY. Not with the protecting dike; it never had been in 40 years.

Mr. GRAHAM. What if the dike had not been there?

Mr. TOBEY. The dike broke and the water inundated the land, following the unprecedented storm in the winter of 1918.

Mr. GRAHAM. How wide a strip of land was it there?

Mr. TOBEY. Well, it was irregular. I can best answer that by saying that the land we had under option was approximately 650 acres—I think, 656 acres, to be exact—but rather irregular in shape.

Mr. GRAHAM. It ran back to a series of hills, did it?

Mr. TOBEY. No; you could hardly call them that. It was a rolling country, gradually rising as you go back from the river bank, but generally flat land.

Mr. GRAHAM. How long had you had an option on that land?

Mr. TOBEY. I should say from the 1st of February until the middle of March. I will submit to the committee as further information a letter detailing every step taken in the acquisition of the land, giving all dates.

Mr. GRAHAM. You state that that letter contains the facts as they exist?

Mr. TOBEY. I will make an affidavit as to the facts. I prepared the letter myself from the original records.

Mr. GRAHAM. Have you that letter with you?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Let us see it.

Mr. TOBEY. I am a little conservative. January 15, 1918, was when the first option was acquired, which is a pretty good indication of when we had information about securing the contract. Otherwise we would not have secured an option on land. It may be more

lengthy and more in detail than you want. This is the complete detail sent to the real estate section of the War Department.

Mr. GRAHAM. You may use it to refresh your memory, but it is rather lengthy to go into our record. Who obtained those options?

Mr. TOBEY. A real estate agent, W. C. Claghorn, of Philadelphia.

Mr. GRAHAM. Maj. Foster comments in his statement that this man Claghorn—whoever he is—was the same man who took the options for the Hog Island business. Do you know whether that is true or not?

Mr. TOBEY. Not of my own knowledge. That was so reported by Maj. Foster, and I have heard it from other sources. Of my own knowledge I can not answer as to that.

I might state, if you desire, the reasons which it was reported to me leading to his selection. It was before my time. That, as I say, was January 15, and I did not go there until the 1st of April. Mr. Claghorn had been for some time—I mean in his early life—a resident of that section, and knew intimately all the farmers in that neighborhood. He kept up his acquaintance by going there in the fall shooting. He knew them intimately. Our general manager went to a local real estate agent in Wilmington and asked who would be the best-qualified man to get options on most economical terms, and he was selected.

Mr. GRAHAM. Where did he live?

Mr. TOBEY. In Philadelphia. I think he had been in the real estate business for a number of years.

Mr. GRAHAM. Do you remember how much this land cost you per acre, on an average?

Mr. TOBEY. Not to the last cent. My recollection is—well, I know that it was under \$100 an acre, and I think it was \$92 an acre.

Mr. GRAHAM. Do you know how that value compared with values prior to the war?

Mr. TOBEY. No; I do not, except that I have put that cost price up to a number of people in Wilmington who had no possible interest in it, and therefore their opinion would be disinterested, and they said it was a very, very fair price for the Government to pay—was not exorbitant. That, also, I might state, was the report made to us by a member of the real estate section of the War Department, who made an independent investigation and said the price was very reasonable, in his judgment.

Mr. GRAHAM. Did you try to locate the site before you entered into the formal contract? You had all that done, I presume.

Mr. TOBEY. That was done, and the site was selected with the approval of the Ordnance Department, who sent a representative up there. I know that Col. Ragsdale was up there early in the year 1918, and I think it was he, very largely, and Maj. Linsley, that approved the site.

Mr. GRAHAM. Who first called attention to this particular site, do you know?

Mr. TOBEY. I think the way that was done, again from hearsay, was that Wilmington as a general center was selected because the Atlas Powder Co. was constructing at Perryville, near there, a plant at which it was proposed it would manufacture largely the ingredients to go into these bombs.

Mr. GRAHAM. Is that near there?

Mr. TOBEY. By railroad it is possibly an hour and a quarter, but there is direct water transportation from Perryville to this plant site that was selected. I think the Ordnance Department conferred with the Du Pont Powder people and it was the Ordnance Department rather than ourselves that first made that general selection. But, now, I can not swear to that. I do not know about it. It was before my time. It was, however, distinctly approved by the Ordnance Department, whether it was selected by them or not, and as to that I do not know.

Mr. GRAHAM. That was the question I was going to ask you. As to who first suggested that site you do not know?

Mr. TOBEY. I can not say from my own knowledge, only from hearsay.

Mr. GRAHAM. Did the Du Pont people have any factories around in that immediate locality?

Mr. TOBEY. Yes, sir; at Brandywine Park, within 2 miles of the outskirts of Wilmington, they had a black-powder factory—a factory, whether by reason of sound judgment or city ordinance, I do not know which, they had never used because of the great explosive danger.

Mr. GRAHAM. If your plant had been built closer to Wilmington, of course you would have been more accessible to labor, wouldn't you?

Mr. TOBEY. I can best answer that by saying this: We would have been nearer to Wilmington and to labor, but if we had had an explosion, we wouldn't have had the labor or Wilmington either. The plans of the Ordnance Department, as ultimately developed, called for the storing of upwards of 2,000,000 pounds of amatol, which contains 20 per cent of T. N. T. At the time of the Gillespie catastrophe at South Amboy, N. J., the authorities in New York closed the subways and stopped all traffic on the boats, because there were 30,000 pounds of T. N. T. stored at Amboy, 26 miles away.

I would not want to take the responsibility, as chief executive of the company, of storing 2,000,000 pounds of explosives within 4 or 5 miles of a city of 135,000 people. But down there on that marshy land, if an explosion occurred, it would not be near so bad, because the marshy land would tend to minimize it. It was isolated and there were no farm buildings around there, and that was one of the prime motives in selecting that site.

Mr. GRAHAM. You never did build your plant down there on that marshy land, did you?

Mr. TOBEY. Well, yes; we did, or certain parts of it.

Mr. GRAHAM. What did you build?

Mr. TOBEY. Well, on the basis of this contract, we only got as far as temporary construction. We put in the railroad, and put up temporary bunk houses, and an administration building where the Government and all our own officials were located. The power house was started—the ground we broke for the power house the day of the armistice. That was a permanent structure. You say that land was not utilized; we did move the plant back a bit, and possibly a stretch of 250 yards on the other side of the highway was used; outside of that, land originally purchased was used.

Mr. GRAHAM. What is there on it now, on that flat land?

Mr. TOBEY. Well, frankly, I have not been there since I left the company, about the first of March. The temporary buildings are there, I presume, except what have been removed by the Government. Their salvage department is there.

Mr. GRAHAM. What were there?

Mr. TOBEY. The temporary bunk houses, administration building, commissary. We had begun work on the docks, because these finished bombs it was purposed should be carried out the main channel of the Delaware River and shipped to France from there. The railroad was completed.

Mr. GRAHAM. You spoke of a road. Does that separate the lowland?

Mr. TOBEY. That was running across our property. It was not, perhaps, a highway. Anyway we could commandeer it, and did do it, and considered it a part of our property.

Mr. GRAHAM. Were any buildings built on this higher land?

Mr. TOBEY. Yes, sir; we had this whole plot like that [indicating], and we moved back a little bit farther from the river front than we originally intended it.

Mr. GRAHAM. When did you do that?

Mr. TOBEY. When we began construction.

Mr. GRAHAM. Had you built any of it before you decided to change?

Mr. TOBEY. No, sir.

Mr. GRAHAM. Your ultimate plans included what on this lowland after you changed back a little?

Mr. TOBEY. The final plans, I think, as contemplated on that lowland near the river would be established a storehouse for the finished bombs, which would be carried by an industrial railway from those storage magazines and lightered out to the steamers.

Mr. GRAHAM. The works would be back on the higher land?

Mr. TOBEY. A little bit higher. It was all reasonably flat, but rolling.

Mr. GRAHAM. This land after that dike broke and the water was all over it, was not used as intended and you changed your plans, and, whereas you originally intended to put buildings and workshops at a certain point you moved them farther back to get out of the way of the flood if it did come over, did you not?

Mr. TOBEY. Well, that is not quite true. We utilized that whole site. We purchased additional land, which was occasioned very largely by the desire of the War Department to occupy more land and to spread the units out. It required more land than originally intended. That was the real reason. A great many changes were made in the general plant layout as the result of the unfortunate experience of the Gillespie Co.

Mr. GRAHAM. I want you to go on from the point where you stopped about the last change; where you spoke, I think, of a change in the layout, and where you spoke of lyconite.

Mr. TOBEY. That was on June 8.

Mr. GRAHAM. Well, go on from that; what happened then?

Mr. TOBEY. Well, a letter was written on July 5 by Mr. J. H. Bigelow, one of our engineers, stating that he had received instructions from the War Department as to the general nature of the construction of the buildings. During all this time careful consideration was

being given to the selection of the railroad site, the construction of shipping facilities on the water front, the repair of the dike, and the development of water supply. Numerous visits were received from various Government officials, in order to discuss matters relative to plant design, railroad construction, dike repair, and so forth, but no decision could be obtained either as to the nature of the explosion to be used or the loading program.

Now, as I have said, that was on July 5. On August 5 a new plot plan was submitted to Maj. Harkness. He was in the Ordnance Department. On August 10 a letter was written by Maj. Harkness to the Marlin-Rockwell Loading Co. indicating that they had finally decided on the nature of the explosive to be used for loading the bombs, namely, amatol 80-20. That was 80 per cent ammonium nitrate and 20 per cent T. N. T.

Mr. GRAHAM. Did they at one time decide on bombs to be 50-50?

Mr. TOBEY. It was all T. N. T. first and then lyconite. I am not enough of a chemist to know what lyconite is. It was an explosive developed by the Du Ponts to which they gave that trade name. It was 50 per cent T. N. T., and then something else, and then the last one was 80-20, which I have referred to.

This letter also went into details regarding the nature of the construction of the different buildings. During these months visits were made by the Marlin-Rockwell Loading Co.'s engineers to the principal loading plants in this country, such as T. A. Gillespie, American Can Co., Atlantic Loading Co., and the Bethlehem Loading Co. at Mays Landing.

Mr. GRAHAM. Did you have a change then?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Did it change your whole layout?

Mr. TOBEY. Substantially so; yes. Almost every one of these changes—well, I wouldn't say entirely, but they required a readjustment of all buildings, and a very decided readjustment as to contents of the buildings, so far as the loading machinery was concerned.

Mr. GRAHAM. How far along had you gotten on August 5? Had you built anything?

Mr. TOBEY. No. By August 10 we had started our railroad, and we had some bunkhouses built for the accommodation of laborers, and the commissary, and so on. Those were only temporary buildings at most, which must always go up. As I stated, during these months visits were made by the Marlin-Rockwell Loading Co.'s engineers to the principal loading plants in this country, Maj. Foster's testimony to the contrary notwithstanding; our men went to the plant of T. A. Gillespie and American Can Co., Atlantic Loading Co., and the Bethlehem Loading Co., at Mays Landing, N. J.

On August 20 a letter was written by Maj. Sargent, of the Ordnance Department, to the Marlin-Rockwell Loading Co. asking for extensive amount of information regarding the plant design.

On August 21 Mr. P. S. Russel wrote a letter to Maj. Sargent in reply, at the same time presenting additional plans and drawings. At a number of places here I have reference to letters and papers which will be furnished hereafter.

On August 22, at a conference held in Washington with Maj. Harkness regarding drawings, referred to in previous paragraph, certain changes were suggested.

Mr. GRAHAM. Do you know what they were?

Mr. TOBEY. I can not recall. They were changes of rather a minor nature. At that time substantially the plant layout was approved, but the changes were such that until they were approved we really could not go ahead and construct.

Mr. GRAHAM. August when?

Mr. TOBEY. August 22.

Maj. Harkness stated that as soon as the company had complied with his suggestions and changes he believed he would be in a position to pass the drawings.

On August 23 a letter was written by Col. McKay, of the Ordnance Department, to the Marlin-Rockwell Loading Co., giving the loading program for the plant for 1918. We also have that letter here, which we will give you. It will be seen that after months spent in the preparation of tentative designs, conferences, correspondence, and discussions, the company's engineers were finally in a position to work out a definite design, having at last received information indicating the kind of bombs to be loaded and the number required per day.

Mr. GRAHAM. That was almost the 1st of September.

Mr. TOBEY. That was on August 23. We had begun this business, certainly, I am sure, not later than the 1st of February.

Mr. GRAHAM. You may proceed.

Mr. TOBEY. Information was received as to the nature of the explosive to be used on August 10. On August 23 a letter from Col. McKay to the Marlin-Rockwell Loading Co., regarding the possibility of loading the bombs with machines, was received.

I have already referred to that, as to how much hand work was required and how much machine work was required. This was absolutely a new project and no one in the Ordnance Department or in the Army anywhere had any definite information, except what they might have picked up through officers on the other side.

It was not known by the Ordnance Department whether amatol could be loaded in the bombs with the use of machines or whether it would be necessary to do this by hand. The matter of loading the Cooper bomb, spoken of in Col. McKay's letter, was an entirely new consideration.

The Cooper bomb is the bomb I previously referred to. It was an English bomb which superceded the Barlow bomb as originally intended, largely on account of the lesser cost.

On August 23 the company's representative called on Maj. Wilmer, of the Engineer Division, in Washington, who furnished a copy of the specifications and drawings of the Cooper II-B bomb. On September 9 further plans of the loading plant were presented to Maj. Harkness in Washington. He expressed himself as satisfied with certain details, but wished further changes made in the design. On September 10 a letter was written by Maj. Sargent to the Marlin-Rockwell Loading Co. approving the estimate for cost of plant.

On September 10 a letter was written by Maj. Sargent to Lieut. Guerber, concerning the estimate of cost of constructing plant.

On September 12 a letter was written by Maj. Sargent to the Marlin-Rockwell Loading Co. inclosing copy of letter written by Maj. Harkness to Maj. Sargent regarding plans submitted September 9 by the Marlin-Rockwell Loading Co.

On September 13 Maj. Wallace, of the Construction Department, visited the plant. He, together with Maj. Gray, went over the plans from the point of view of construction of the buildings and made a number of changes.

On September 16 a letter was written by Maj. Sargent, of the Ordnance Department, to the Marlin-Rockwell Loading Co., stating that the construction division had been authorized to proceed with the construction of this plant.

On September 20 the Marlin-Rockwell Loading Co. presented additional drawings and plans to Maj. Harkness (see letter dated Sept. 19) prepared in accordance with his suggestions of September 9, and with a memorandum of loading operations and a memorandum of the machinery required for the loading units was furnished. Maj. Harkness expressed himself as being well pleased with the presentation which the company made and he also told Mr. Tobey, whom I am, vice president of the Marlin-Rockwell Loading Co., in the presence of Maj. Wallace, that he now approved of the "entire plans and methods of operating the plant, with certain detail changes," which he had suggested. He said he would write at once to his chief, Col. McKay, informing him of the situation, and that the company would, of course, receive a copy of this letter.

The company considered that their plans had been accepted, subject only to detail modifications, but realized that they must await written confirmation before beginning actual construction; and further, the construction division indicated clearly that they must have this information in writing from the Ordnance Department before they would permit any construction to begin.

The company was informed by Maj. Wallace that the construction division would be able to furnish the entire equipment for the power house. This was considered very fortunate, as the understanding was that the equipment was to be furnished as fast as needed, and I think it would have been.

Maj. Morrow, chief engineer, asked Maj. Harkness on September 20 to sign the drawings which were presented, indicating the detail changes which he wished to have made. He refused to do this, stating that he might write a letter within a day or so approving this—I mean the plans—and indicating the detail changes.

On September 21 a letter was written to Mr. Tobey by Mr. Morrow covering the conference with Maj. Harkness of the 20th.

On September 21 Mr. Morrow wrote Maj. Harkness, referring to the visit of September 20, and received a reply from him dated September 24, stating as follows: "We are going over your plans and will submit a list of changes as per your request."

On September 24 a letter from Maj. Harkness was received by the Marlin-Rockwell Loading Co. acknowledged receipt of letter dated September 21.

September 25, Mr. Gordon and Mr. Sumner, the Marlin-Rockwell Loading Co.'s engineers, went to Washington to discuss the details of the design.

On September 27 Mr. Morrow went to Washington and again urged Maj. Harkness to let him have the promised letter of approval. He said he had been too busy with other matters to do this, but would attend to it within a few days. At the same time, Mr. Morrow presented a letter indicating the loading equipment required, asking him to approve it. He wrote Maj. Sargent recommending that the equipment be ordered.

On October 4 the disaster occurred at the Gillespie plant and Maj. Harkness was at once sent to Penniman, Va., to speed up loading of shells, and it appears that he was obliged to drop all matters in Washington. During the month of October Mr. Morrow telephoned to Washington a number of times, but found that Maj. Harkness was not in Washington and that Maj. Lindsley could be of no assistance in the matter. Mr. Morrow saw Col. McKay and Maj. Jeffrey, of the Ordnance Department, but was unable to obtain any satisfaction either by personal interviews, telephone conversations, or letters, except that the matter was entirely in the hands of Maj. Harkness, and he was out of the city.

On October 7 a letter was written to Maj. Harkness, calling his attention to the fact that no letter had been received from him approving the plans submitted to him on September 20.

On October 11 Maj. Lindsley wrote in reply to this letter, stating as follows: "Maj. Harkness is at the time being at Penniman, Va. Your letter will be brought to his attention on his return."

On October 11 a letter was written by Maj. Harkness to the Marlin-Rockwell Loading Co. regarding special loading information.

On October 25 Col. Trask, of the construction division, paid a visit to the plant. He was very much disturbed that construction had not been started. It was pointed out that the construction division could not start construction until the plans were in their hands and that the plans were not forthcoming. The company's chief engineer explained the entire situation and, in accordance with Col. Trask's request, wrote in a letter, dated October 25, stating that "The design for the bomb-loading plan is now complete and satisfactory to the Marlin-Rockwell Loading Co." Col. Trask wished to take this matter up in Washington in order to get authority from the Ordnance Department to proceed with the construction of the plant. In other words, that was in accordance with the idea of our contract department, that the plans that we had submitted to the Ordnance Department for their approval should be so submitted and approved; it was a case of plans being submitted by the agent to its principal.

On October 28 the company's representative called on Col. McKay in Washington in order to see if they could obtain the approval of the plans. Col. McKay said that Maj. Harkness was still at Penniman, but would try to have him meet them in Washington the following day. These men also conferred with Maj. Lindsley the same day regarding the location of the magazines. The magazines, as the result of the Gillespie explosion, were moved farther away from the loading units, simply as a measure of safety. That required a spreading out of the plant more, and moving them farther away from the river front.

On October 29 the Marlin-Rockwell representatives met Maj. Harkness in Washington in order to obtain approval of the company's

plans. Maj. Harkness pronounced them as being in accordance with the understanding of September 19 and further conferences of about October 1. He stated as a reason for not having written approving the plans that he had been obliged to be at Penniman, Va., constantly since October 5.

On November 1 a letter was written to Mr. Morrow by Mr. Sumner regarding a conference at Washington with Maj. Harkness concerning design of mechanical equipment. On November 5 Mr. Sumner, the company's mechanical engineer, again called on Maj. Harkness and asked him if the company could get a communication regarding his plans. He stated he hoped to have the data ready in a few days.

On November 5 Maj. Harkness finally wrote a letter to Maj. Sprunt approving the plans and indicating the detail modifications; this was approved by Col. Sprunt and Maj. Jeffrey, who also approved the drawings by autographing each one, and this was all presented to Col. Stewart, who gave the Marline-Rockwell Loading Co. a letter of approval dated November 7.

On November 8, in the morning, a letter was written to Col. Stewart and Maj. Harkness.

On November 8, in the afternoon, the company received a telegram at the hands of Maj. Gray, of the construction division, from Gen. Marshall, telling him not to start the units, but only to finish the work already started, which would not, of course, include any of the loading-plant permanent buildings. In the meantime preparations had started on actual working drawings for the plant design in accordance with the general design approved by Maj. Harkness on November 5.

On November 11 the armistice was declared. On November 12 Mr. Morrow wrote Col. Sprunt and Col. Stewart, and informed them of the nature of the telegram received from the construction division, that units should not be started. The letter stated that the company was ready to proceed with the construction in accordance with the approved plans, and asked them to advise what to do. No answer was ever received to this letter. In the mean time the company's engineers were proceeding as rapidly as possible with the making of the detail drawings in accordance with the plans approved by Maj. Harkness.

On November 12 Mr. Morrow wrote to Maj. Gray regarding construction.

On November 26 matters reached such a situation that the officials of the company decided to notify the engineers and draftsmen that their services would be dispensed with on December 15.

On December 16 all engineers and draftsmen left the works. A report is being prepared relative to the history of the design of this plant, and with it will be given the final approved design, plans, specifications.

Now, Mr. Chairman, that is a brief summary containing a history which, as the chief executive of the Marlin-Rockwell Loading Co., I asked to be immediately prepared upon the signing of the armistice.

Mr. GRAHAM. Well, from that day to this have you ever had any formal suspension notice of this contract?

Mr. TOBEY. We did; yes, sir. My recollection is that on or about the middle of December it was received.

Mr. GRAHAM. Have you that notice?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. That was after you had in fact stopped, or was it before?

Mr. TOBEY. Well, we practically had stopped before that.

Mr. GRAHAM. You had issued orders to discharge the engineering force on the 15th of December, and about that time you got the suspension order?

Mr. TOBEY. About that time. I think, as a matter of fact, chronologically speaking, we suspended work by letting a large part of our force go before we got the suspension order. We anticipated it.

Mr. GRAHAM. According to that statement, as I understand, there never was a time from the beginning of your contract until November 5 when you could have gone ahead with everything?

Mr. TOBEY. No, sir; except on temporary work. We could not go ahead on what our contracts called on us to do, namely, to construct a plant for the operation of loading bombs, because we had no approved designs, and designs had to be approved by the Ordnance Department before we could go ahead.

Mr. GRAHAM. At same time the Barlow bomb was abandoned?

Mr. TOBEY. Yes, sir; it was.

Mr. GRAHAM. You did not mention it in your statement; when was it?

Mr. TOBEY. We naturally would not know that, because that bomb was manufactured by the Marlin-Rockwell Corporation.

Mr. GRAHAM. You were only to load it?

Mr. TOBEY. Yes, sir; we were only to load what we were given to load.

Mr. GRAHAM. During the time that these transactions were going on, during the summer of 1918, did you have a considerable force of workmen there?

Mr. TOBEY. Yes; we did. I think that possibly the highest number of operatives we had at any one time was 2,000, around that number. Now, they were engaged in road work, and engaged in grading, and in the construction of temporary bunk houses and a wharf, and work on the railroad. It was construction work and temporary work.

Mr. GRAHAM. Did you have enough work to do to keep them busy?

Mr. TOBEY. Oh, yes; they were busy.

Mr. GRAHAM. Did you lay out a system of roads around there?

Mr. TOBEY. Well—

Mr. GRAHAM (interposing). How many roads did you build and what kind were they?

Mr. TOBEY. Well, we built roads running up to the various units, where they were going to be located, and prepared a road running in from the main highway. And until the railroad was constructed all of the stuff brought in had to be brought in by motor trucks. As a preliminary to that we had to get roads leading in from the main highway to carry them.

Mr. GRAHAM. What were they made of?

Mr. TOBEY. Stone and cinder; cinder mostly.

Mr. GRAHAM. You say you built a dock?

Mr. TOBEY. Well, we started to construct a dock, but we could not complete it. The dock was simply to run out a matter of about 500 feet, so as to reach the main channel of the Delaware River. It would require lighterage anyway.

Mr. GRAHAM. Was the railroad finished?

Mr. TOBEY. Except possibly some final work on ballasting. The track was laid and equipment was running over.

Mr. GRAHAM. How many bunk houses did you have in there?

Mr. TOBEY. Possibly 30 or more. We had accommodations, I should say, for about 2,000 workmen.

Mr. GRAHAM. Of the ordinary tar-paper construction?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. And you had an administration building?

Mr. TOBEY. Yes. That was a sort of clapboard construction.

Mr. GRAHAM. A cheap affair?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Those were all the buildings that you had?

Mr. TOBEY. We had a permanent commissary constructed. It was ready for occupancy the day the armistice was signed.

Mr. GRAHAM. What was it made of?

Mr. TOBEY. Of the same construction as the administration building, but it was intended to be sufficiently permanent to carry on the job from its conception until it was finished.

Mr. GRAHAM. Was it intended to build those loading buildings of brick or lumber?

Mr. TOBEY. Lumber partially, and terra cotta partially, and steel roof.

Mr. GRAHAM. Did you have the foundations made for any of them?

Mr. TOBEY. No, sir. the only permanent foundation we started was that for the power house, which was started the day of the armistice and was suspended at our own volition, and afterwards suspended by Gen. Marshall's order.

Mr. GRAHAM. How much did you spend in there before you suspended work on that plant?

Mr. TOBEY. The net amount on the plant was—and we will submit a statement to you of that—about \$3,500,000 for everything.

Mr. GRAHAM. Do you mean net or gross?

Mr. TOBEY. When I say net, I mean that the total was slightly in excess of \$4,000,000, but certain property was ordered and sent to that plant and afterwards withdrawn and sent to other plants, and while it appears on our books, it is really not a charge to that operation, because never used there.

Mr. GRAHAM. It was ordered by the Government?

Mr. TOBEY. Yes, sir. Principally that consists of power house equipment, which, as I recall, cost at the time about \$250,000.

Mr. GRAHAM. That was ordered and on the ground?

Mr. TOBEY. That was ordered and a large part of it on the ground. And, afterwards, by order of the War Department, it was transferred to the Frankford arsenal in Pennsylvania. When it was ordered it was charged to that operation, but I maintain that it is not a proper charge against that operation if it was never used there, and it was transferred almost as soon as it arrived.

Mr. GRAHAM. How much has the Government paid you people on that transaction?

Mr. TOBEY. Well, they have very generally paid everything in the way of commitments and bills incurred.

Mr. GRAHAM. There was a fee of 10 per cent to be paid, as I understand it. There were graduated fees to be paid on \$100,000 at 7 per cent, and on \$9,650,000 at 2½ per cent on the cost. Am I right about that?

Mr. TOBEY. Our contract called for a 10 per cent fee upon the cost of constructing and operating this bomb-loading plant. The Government also approved a contract for the construction of the plant, subject to Fred T. Ley & Co. and the contract itself was approved by the Government with Fred T. Ley & Co.

Mr. GRAHAM. Have you got that contract or what you know to be a correct copy thereof?

Mr. TOBEY. Yes, sir; here it is.

Mr. GRAHAM. At this point the committee will insert in the record a verified copy of the contract between the Marlin-Rockwell Loading Co. and Fred T. Ley & Co.

Mr. TOBEY. It was approved by the Ordnance Department, being a subcontract.

(At this point the copy of contract referred to is printed in full in the record as follows:)

COPY OF CONTRACT BY AND BETWEEN FRED T. LEY & COMPANY, INCORPORATED, CONTRACTOR, SPRINGFIELD, MASSACHUSETTS, AND THE MARLIN-ROCKWELL LOADING COMPANY, AGENT, UNITED STATES GOVERNMENT ORDNANCE DEPARTMENT, UNITED STATES ARMY—MAY, 1918.

CONTRACT FOR EMERGENCY WORK—CONSTRUCTION OF AN AERIAL MUNITIONS LOADING PLANT AT DELAWARE CITY, DELAWARE.

Contract made (for the benefit of the United States) and concluded this fifth (5) day of June, 1918, by and between Fred T. Ley & Company, Inc., a corporation organized under the laws of the State of Massachusetts, party of the first part (hereinafter called contractor), and Marlin-Rockwell Loading Company, a corporation organized and existing under and by the virtue of the laws of the State of Delaware, having its general office at Wilmington, Delaware, agent for the United States of America, party of the second part (hereinafter called the agent).

Witnesseth:

Whereas the Congress having declared by joint resolution approved April 6, 1917, that war exists between the United States of America and Germany, a national emergency exists and the United States urgently requires the immediate performance of the work hereinafter described, and it is necessary that said work shall be completed within the shortest possible time, and

Whereas said agent entered into an agreement with the United States of America on the twenty-second day of May, 1918, for the construction of a plant for the loading of aerial munitions with high explosives, assembling and boxing the same, together with shipping facilities for water transportation of loaded aerial munitions, such aerial munitions to consist of bombs known as the Barlow heavy drop bomb; and the high capacity drop bombs, Marks I, II, III, IV, and V, and such other types of bombs as the Government may elect to order loaded by the agent; and

Whereas it is advisable, under the disturbed conditions which exist in the contracting industry throughout the country, for the United States to depart from the usual procedure in the matter of letting contracts, and adopt means that will insure the most expeditious results; and

Whereas the contractor has had experience in the execution of similar work, has an organization suitable for the performance of such work, and is ready to undertake the same upon the terms and conditions herein provided:

Now, therefore, this contract witnesseth: That in the consideration of the premises and of the payments to be made as hereinafter provided, the contractor hereby covenants and agrees to and with the agent as follows:

ARTICLE I. Extent of work.—The contractor shall, in the shortest possible time, furnish the labor, materials, tools, machinery, equipment, facilities, and supplies necessary to do the following work and such other work as may be ordered hereunder.

To furnish and erect all buildings and docks, to do all grading, to install all sewerage, underground piping and conduit, and in addition thereto to purchase and install such of the necessary materials, fixtures, apparatus, and appurtenances as the agent may from time to time elect (all of the above hereinafter collectively referred to as the "plant," which plant shall have a daily capacity for loading, assembling, packing, and shipping of approximately five thousand seven hundred and fifty (5,750) bombs per day), in accordance with the working drawings and specifications to be prepared by the contractor or the agent, at the election of the agent, and subject to the supervision, direction, and instruction of the agent in every detail.

The agent may from time to time, by written instructions or drawings issued to the contractor, make changes in said drawings and specifications, issue additional instructions, require additional work, or direct the omission of work previously ordered, and the provisions of this contract shall apply to all such changes, modifications, and additions with the same effect as if they were embodied in the original drawings and specifications. The contractor shall comply with all such written instructions and drawings.

The title to all work completed or in the course of construction shall be in the United States and upon delivery at the site of work, and upon inspection and acceptance in writing by the agent all machinery, equipment, hand tools, supplies, and materials for which the contractor shall be entitled to be reimbursed under paragraph A of Article II hereof shall become the property of the United States. These provisions as to title shall not operate to relieve the contractor from any duty imposed hereby or by the agent.

ARTICLE II. Cost of work.—The contractor shall be reimbursed in the manner hereinafter described for such of its actual net expenditures in the performance of said work as may be approved or ratified by the agent and as are included in the following items:

(a) All labor, material, machinery, fixtures, equipment, apparatus, appurtenances, tools not owned by workmen, supplies, and equipment necessary for either temporary or permanent use for the construction of the plant, but this shall not be considered to cover machinery or equipment mentioned in section "c" of this article. The contractor shall make no departure from the standard rate of wage being paid in the locality where said work is being done without the prior consent and approval of the agent.

(b) All subcontracts made in accordance with the provisions of this agreement.

(c) Rental actually paid by the contractor, at rates not to exceed those mentioned in the schedule of rental rates hereto attached, for construction plant in sound and workable condition, such as pumps, derricks, concrete mixers, boilers, clamshell or other buckets, electric motors, electric drills, electric hammers, electric hoists, steam shovels, locomotive cranes, power saws, engineers' levels, and transits, and such other equipment as may be necessary for the proper and economical prosecution of the work.

Rental to the contractor for such construction plants or parts thereof as it may own and furnish at the rates mentioned in this schedule of rental rate hereto attached, except as hereinafter set forth. When such construction plant or any part thereof shall arrive at the site of the work, the contractor shall file with the agent a schedule setting forth the fair valuation at that time of each part of such construction plant. Such valuation shall be deemed final unless the agent shall within five days after the machinery has been set up and is working, modify or change such valuation, in which even the valuation so made by the agent shall be deemed final. When and if the total rent paid to the contractor for any such part shall equal the valuation thereof, no further rental therefor shall be paid to the contractor, and title thereto shall vest in the United States.

At the completion of the work the agent may, at his option, purchase any part of such construction plant then owned by the contractor by paying the contractor the difference between the valuation of such part or parts and the total rentals theretofore paid therefor. Rates of rental as substitutes for

such scheduled rental rates may be agreed upon in writing between the contractor and the agent, such rates to be in conformity with rates of rental charged in the particular territory in which the work covered by this contract is to be performed. If the agent shall furnish or supply any such equipment, the contractor shall not be allowed any rental therefor and shall receive no fee for the use of such equipment.

(d) Loading and unloading such construction plant and transportation thereof to and from the place or places where it is to be used in connection with said work, subject to the provisions hereinafter set forth, the installation and dismantling thereof, and ordinary repairs and replacements during its use in the said work.

(c) Transportation and expenses to and from the work of the necessary field and office forces for the economical and successful prosecution of the work, procuring labor, and expediting the production and transportation of material and equipment.

(f) Salaries of resident engineers, superintendents, timekeepers, foremen, and other employees at the field offices of the contractor in connection with said work. In case the full time of any field employee of the contractor is not applied to said work, but is divided between said work and other work, his salary shall be included in this item only in proportion to the actual time applied to this work.

(g) All temporary buildings, warehouses, hospitals, infirmaries, stores, commissaries, and structures, and the equipment required therefor and furnishings and equipment required for the field offices, and the cost of maintaining and operating same, including such minor expenses as telegrams, telephones, expressage, postage, etc.

(h) Such bond, fire, public liability, employers' liability, workmen's compensation, and other insurance as the agent may approve or require and such losses and expenses not compensated by insurance or otherwise, as are found and certified by the agent to have been actually sustained (including settlement made with the written consent and approval of the agent) by the contractor in connection with said work. Such losses and expenses shall not be included in the cost of the work for the purpose of determining the contractor's fee. The cost of reconstructing and replacing any of the work destroyed or damaged shall be included in the cost of the work for the purpose of reimbursement to the contractor, but not for the purpose of determining the contractor's fee, except as hereinafter provided.

(i) Permit fees, deposits, royalties, and other similar items of expense incidental to the execution of this contract and necessarily incurred; expenditures under this item must be approved in advance by the agent.

(j) Such proportion of the transportation, traveling, and hotel expenses of officers and engineers and other employees of the contractor as is actually incurred in connection with this work.

(k) Such other items as should in the opinion of the agent be included in the cost of the work. When such an item is allowed by the agent, it shall be specifically certified as being allowed under this paragraph.

(l) All costs incurred by the contractor in the preparation of such working drawings, as directed and approved by the agent.

The agent reserves the right to pay directly to common carriers any or all freight charges on material of all kinds, and machinery furnished under this contract and certified by the agent as being for installation or for consumption in the course of the work hereunder; the contractor shall be reimbursed for such freight charges of this character as it shall pay and as shall be specifically certified by the agent, but the contractor shall have no fee based on such expenditures. Freight charges paid by the contractor for the transportation of construction equipment, construction plant, tools and supplies of every character, shall be treated as part of the cost of the work upon which the contractor's fee shall be based; provided that charges for transportation of such construction equipment, construction plant and tools over distance in excess of five hundred miles shall require the special approval of the agent.

No salaries of the contractor's executive officers, no part of the expense incurred in conducting the contractor's main office or regularly established branch offices, and no overhead expense of any kind, except as specifically listed above, shall be included in the cost of the work; nor shall any interest on capital employed or on borrowed money be included in the cost of the work.

The contractor shall take advantage to the extent of its ability of all discounts available, and when unable to take such advantage shall promptly notify the agent of its inability and its reasons therefor.

All revenue from the operations of the commissaries, hospital, or other facilities, or from rebates, refunds, etc., shall be accounted for by the contractor and applied in reduction of the cost of the work.

ARTICLE III. Determination of fee.—As full compensation for the services of the contractor, including profit and all general overhead expense, except as herein specifically provided, the agent shall pay the contractor in the manner hereinafter prescribed a fee to be determined at the time of completion of the work from the work from the following schedule, except as hereinafter otherwise provided:

- If the cost of the work is \$100,000 or under, a fee of 7% of such cost.
- If the cost of the work is over \$100,000 and under \$125,000, a fee of \$7,000.
- If the cost of the work is over \$125,000 and under \$450,000, a fee of 6½%.
- If the cost of the work is over \$450,000 and under \$500,000, a fee of \$29,250.
- If the cost of the work is over \$500,000 and under \$1,000,000, a fee of 6%.
- If the cost of the work is over \$1,000,000 and under \$1,100,000, a fee of \$60,000.
- If the cost of the work is over \$1,100,000 and under \$1,500,000, a fee of 5½%.
- If the cost of the work is over \$1,500,000 and under \$1,650,000, a fee of \$82,500.
- If the cost of the work is over \$1,650,000 and under \$2,200,000, a fee of 5%.
- If the cost of the work is over \$2,200,000 and under \$2,450,000, a fee of \$110,000.
- If the cost of the work is over \$2,450,000 and under 2,850,000, a fee of 4½%.
- If the cost of the work is over \$2,850,000 and under \$3,250,000, a fee of \$128,250.
- If the cost of the work is over \$3,250,000 and under \$4,000,000, a fee of 4%.
- If the cost of the work is over \$4,000,000 and under \$4,250,000, a fee of \$160,000.
- If the cost of the work is over \$4,500,000 and under \$4,775,000, of fee of 3½%.
- If the cost of the work is over \$4,775,000 and under \$5,175,000, a fee of \$179,062.50.
- If the cost of the work is over \$5,175,000 and under \$5,725,000, a fee of 3½%.
- If the cost of the work is over \$5,725,000 and under \$6,225,000, a fee of \$200,375.
- If the cost of the work is over \$6,225,000 and under \$6,825,000, a fee of 3½%.
- If the cost of the work is over \$6,825,000 and under \$7,400,000, a fee of \$221,812.50.
- If the cost of the work is over \$7,400,000 and under \$7,750,000, a fee of 3%.
- If the cost of the work is over \$7,750,000 and under \$8,350,000, a fee of \$235,500.
- If the cost of the work is over \$8,350,000 and under \$8,800,000, a fee of 2½%.
- If the cost of the work is over \$8,800,000 and under \$9,650,000, a fee of \$242,000.

If the cost of the work is over \$9,650,000 and under \$10,000,000, a fee of 2½%, provided, however, that the fee upon such part of the cost of the work as is represented by payments to subcontractors under subdivision (b) of Article II hereof, shall in each of the above contingencies be two and one-half per cent (2½%) and no more of the amount of such part of the cost.

The cost of materials purchased or furnished by the agent for said work, exclusive of all freight charges thereon, shall be included in the cost of the work for the purpose of reckoning such fee to the contractor, but for no other purpose.

The fee for reconstructing and replacing any of the work destroyed or damaged shall be such percentage of the cost thereof, not exceeding seven per cent (7%) as the agent may determine.

In addition to the fee as mentioned above, the contractor shall receive as a fee for the preparation of the working drawings and specifications, an amount equal to one per cent (1%) of the construction cost of the work as defined in Article II hereof, and as may be ordered under the provisions of Article I.

ARTICLE IV. The agent will bear the entire cost of the construction of the plant without the necessity of the contractor providing any capital and shall pay direct or advance as need sufficient funds to pay, the actual cost of the work as defined in Article II hereof.

During the construction of the plant the agent will attach a disbursing office at the plant or its office, who will pay promptly, as hereinbefore provided, all bills, vouchers, and pay rolls certified as proper and correct by the contractor.

WAR EXPENDITURES.

On or about the 7th day of each month the agent and the contractor shall prepare a statement showing as completely as possible:

- (1) Cost of the work up to and including the last day of the previous month;
- (2) The cost of the materials furnished by the agent up to and including such last day; and
- (3) An amount equal to three and one-half per cent (3½%), except as herein otherwise provided, of the sum of (1) and (2) on account of the contractor's fee.

And the contractor at such times shall deliver to the agent original signed pay rolls for labor, original invoices for materials purchased, and all other original papers not theretofore delivered supporting expenditures claimed by the contractor to be included in the cost of the work.

If there be any item or items entering into such statement upon which the contractor and agent can not agree, the decision of the agent as to such disputed item or items shall govern.

The agent shall then pay the contractor on or about the ninth day of each month the cost of the work mentioned in (1) and the fee mentioned (3) of such statement, less all previous payments.

When the statement above mentioned includes any work of reconstructing and replacing work destroyed or damaged the payment on account of the fee in (3) of such reconstruction and replacement work shall be computed at such rate not exceeding two and one-half per cent (2½%) as the agent may determine.

The statement so made and all payments made thereon shall be final and binding upon both parties hereto, except as provided in Article XIV hereof.

Upon the final completion of said work the agent shall pay to the contractor the unpaid balance of the cost of the work and of the fee mentioned under Articles II and III hereof.

ARTICLE V. Inspection and audit.—The agent shall at all times be afforded proper facilities for inspection of the work and shall at all times have access to the premises, to the work and material, and to all books, records, correspondence, instructions, plans, drawings, receipts, vouchers, and memoranda of every description of the contractor pertaining to said work; and the contractor shall preserve for a period of two years after its completion or cessation of work under this contract all the books, records, and other papers just mentioned. Any duly authorized representative of the contractor shall be accorded the privilege of examining the books, records, and papers of the agent relating to said work for the purpose of checking up and verifying the cost of the work. The system of accounting to be employed by the contractor shall be such as is satisfactory to the agent.

If at any time the agent shall find that bills for labor, material, or other bills legitimately incurred by the contractor hereunder are not promptly paid by the contractor the agent may, at his discretion, refuse to make further payments to the contractor until such obligations past due shall have been paid. Should the contractor neglect or refuse to pay such bills within five days after notice from the agent so to do, then the agent shall have the right to pay such bills directly, in which event such direct payments shall not be included in the cost of the work.

ARTICLE VI. Special requirements.—The contractor hereby agrees that it will: (a) Begin work herein specified at the earliest time practicable, and diligently proceed so that such work may be completed at the earliest possible date. (b) Promptly pay for all labor, material, or other service rendered. (c) Procure and thereafter maintain such insurance in such forms and such amounts and for such periods of time as the agent may approve or require. (d) Procure all necessary permits and licenses and obey and abide by all laws, regulations, ordinances, and other rules wherein such work is done, of any States of America, of the State or Territory wherein such work is done, of any subdivision thereof, or of any duly constituted public authority. (e) Unless this provision is waived by the agent, insert in every contract made by it for the furnishing of it of services, materials, supplies, machinery, and equipment, or the use thereof, for the benefit of the United States, a provision that every subcontract made in accordance with the provisions hereof require the subcontractor to agree to comply fully with all the undertakings and obligations of the contractor herein, excepting such as do not apply to such subcontractor's work.

(g) At all times keep at the site of the work a duly appointed representative, who shall receive and execute on the part of the contractor such notices, directions, and instructions as the agent may desire to give.

(h) At all times use its best efforts in all its acts hereunder to protect and subserve the interest of the agent and the United States.

ARTICLE VII. Right to terminate contract.—Should the contractor at any time refuse, neglect, or fail in any respect to prosecute the work with promptness and diligence, or default in the performance of any of the agreements herein contained, the agent, at his option, may, after five days' written notice to the contractor, terminate this contract, and may enter upon the premises and take possession, for the purpose of completing said work, of all materials, tools, equipment, and appliances, and all options, privileges, and rights, and may complete or employ any other person or persons to complete said work. In case of such termination of contract, the agent shall pay to the contractor such amounts of money on account of the unpaid balance of the cost of the work and of the fee as will result in fully reimbursing the contractor for the cost of the work up to the time of such termination, plus a fee computed thereon at the rate or rates for monthly payments set forth in Article IV hereof, and the agent shall also pay the contractor compensation, either by purchase or rental, at the election of the agent, for any equipment retained; such compensation, in the event of rental, to be in accordance with paragraph (c) of Article II, and in the event of purchase, to be based upon the valuation determined by the agent as of the time of taking such possession.

The contractor hereby agrees that such payments when made shall constitute full settlement of all claims of the contractor against the agent, for money claimed to be due to the contractor for any reason whatsoever. In case of such termination of the contract, the agent shall further assume and become liable for all such obligations, commitments, and unliquidated claims as the contractor may have theretofore in good faith undertaken or incurred in connection with said work, and the contractor shall, as a condition of receiving the payments mentioned in this article, execute and deliver all such papers, and take all such steps as the agent may require for the purpose of fully vesting in him the rights and benefits of the contractor, under such obligations or commitments. When the agent shall have performed the duties incumbent upon him under the provisions of this article, the agent shall thereafter be entirely released and discharged of and from any and all demands, actions, or claims of any kind on the part of the contractor hereunder or on account hereof.

ARTICLE VIII. Abandonment of work by the agent.—If conditions should arise which in the opinion of the agent make it advisable or necessary to cease work under this contract, the agent may abandon the work and terminate this contract. In such case the agent shall assume and become liable for all such obligations, commitments, and unliquidated claims as the contractor may have theretofore, in good faith, undertaken or incurred in connection with said work; and the contractor shall, as a condition of receiving the payments mentioned in this article, execute and deliver all such papers, and take all such steps as the agent may require for fully vesting in him the rights and benefits of the contractor under such obligations or commitments.

The agent shall pay to the contractor such an amount on account of the unpaid balance of the cost of the work and of the fee as will result in the contractor receiving full reimbursement for the cost of the work up to the time of such abandonment, plus a fee to be computed in the following manner: To the cost of work up to the time of such abandonment, shall be added the amount of the contractual obligations or commitments assumed by the agent, and such total shall be treated as the cost of the work, upon which the fee shall be computed in accordance with the provisions of Article III hereof. When the agent shall have performed the duties incumbent upon him under the provisions of this article, the agent shall thereafter be entirely released and discharged of and from any and all demands, actions, or claims of any kind on the part of the contractor hereunder, or on account hereof.

ARTICLE IX. Bond.—The contractor shall, prior to commencing the said work, furnish a bond with sureties satisfactory to the agent in the sum of two hundred and fifty thousand (\$250,000) dollars, conditioned upon its full and faithful performance of all the terms, conditions, and provisions of this contract, and upon its payment of all bills for labor, materials, or other services furnished to the contractor.

ARTICLE X. Convict labor.—No person or persons shall be employed in the performance of this contract who are undergoing sentence of imprisonment at hard

labor imposed by the courts of any of the several States, Territories, or municipalities having criminal jurisdiction.

ARTICLE XI. The contractor shall, when required, report to the agent, the citizenship, country of birth, or alien status of any or all of its employees. When required by the agent, it shall refuse to employ, or, if already employed, forthwith discharge from employment and exclude from its work any person or persons designated by the agent for cause as undesirable for employment. The agent shall pay to the contractor, as part of the cost, any expense incurred by the contractor which shall be determined by the agent to be directly caused by the requirements of this article. The contractor shall also make the provision of this article applicable to all employees working under such contract with the contractor.

In the event of any dispute with reference to wages, hours, or other conditions appertaining to said work, between the contractor or any subcontractor and labor employed by him on said work, the contractor or subcontractor shall immediately notify the agent of the existence of such dispute and the reason therefor. The agent may, at his option, instruct the contractor or subcontractor involved in such dispute as to the method or steps which the contractor or subcontractor should follow with reference thereto, and the contractor or subcontractor shall thereupon comply with such instructions.

ARTICLE XII. *Rights to transfer or sublet.*—Neither this contract, nor any interest therein, shall be assigned or transferred. The contractor shall not enter into any subcontract for any part of the work herein specified without the consent and approval in writing of the agent. In case of such assignment, transfer, or subletting without the consent or approval in writing of the agent, the agent may refuse to carry out this contract either with the transferor or the transferee, but all rights of action for any breach of this contract by the contractor are reserved to the agent.

ARTICLE XIII. *No participation in profits by Government officials.*—No Member of or Delegate to Congress, or Resident Commissioner, nor any other person belonging to or employed in military service of the United States, is or shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom, but this article shall not apply to this contract so far as it may be within the operation or exception of section 116 of the act of Congress approved March 4th, 1919 (35 Stats., 1109).

ARTICLE XIV. *Settlement of disputes.*—This contract shall be interpreted as a whole and the intent of the whole instrument, rather than the interpretation of any special clause shall govern. If any doubts or disputes shall arise as to the meaning or interpretation of anything in this contract, or if the contractor shall consider itself prejudiced by any action or decision of the agent made under the provisions of Article IV hereof, the matter shall be referred to the Chief of Ordnance for determination. If, however, the contractor shall feel aggrieved by the decisions of the Chief of Ordnance, it shall have the right to submit the same to the Secretary of War, whose decision shall be final and binding upon both parties hereto.

ARTICLE XV. This contract shall bind and inure to the contractor and its successors. It is understood and agreed that wherever the word "agent" is used herein, the same shall be construed to include his successor in office, any person to whom the duties of the agent may be assigned by the Secretary of War, and any duly appointed representative of the agent.

Witness the hands of the parties hereto, the day and year first above written, all in triplicate.

FRED T. LEY & COMPANY (INC.). [SEAL]
By J. H. SICKMAN, *Vice Pres.*
MARLIN ROCKWELL LOADING COMPANY. [SEAL]
By P. S. RUSSELL, *Vice Pres.*

Witnesses:

LOUISE RITTER.

W. J. POTTS.

Attest:

H. R. TOBEY, *Treas.*

I hereby certify that the following are correct extracts from the minutes of certain meetings of the board of directors of the Fred T. Ley & Co., at which meetings there were present a quorum of the said board, authorized to transact business as hereinafter described; that the proceedings of the said meetings were in accordance with the charter and by-laws of the company, and

that same have not been revoked, cancelled, or amended in any manner whatsoever.

I further certify that I am the custodian of certain records of said company, including the minutes of the meetings of the board of directors.

FRED T. LEY, *Clerk.*

MEETING OF THE BOARD OF DIRECTORS OF FRED T. LEY & COMPANY (INC.), HELD AT THE PRINCIPAL OFFICE OF THE COMPANY, 493 MAIN STREET, SPRINGFIELD, MASS., ON MARCH 14, 1918, AT 11 O'CLOCK.

On motion duly made and seconded it was "Voted: That Mr. J. H. Sickman is hereby elected a vice president of this company."

On motion duly made and seconded, it was further "Voted: That Mr. J. H. Sickman, a vice president, be, and hereby is, authorized and directed in the name and on behalf of this company, and under its corporate seal, to execute and deliver any and all contracts and bonds pertaining to any and all work which is or may be awarded this company, and said J. H. Sickman is hereby further authorized and directed in the name of and on behalf of this company to sign any and all proposals, subcontracts, orders, and other documents as may be required or as he may see fit, for the proper performance of said contracts."

Special meeting held May 16, 1917.—On motion duly made and seconded, it was "Resolved: That Mr. Fred T. Ley be, and hereby is, elected clerk of the company."

In witness whereof, I have hereunto set my hand and affixed the corporate seal of the company, the 20th day of May, 1918.

[SEAL.]

FRED T. LEY, *Clerk.*

SCHEDULES OF RENTAL RATES.

(The rates mentioned are per day.)

The following ranges of rental rates are shown only as an indication of what may be allowed. Rentals will be fixed by the agent, who will take into consideration sizes, capacities, conditions, and fair market valuations of equipment. Rentals for equipment not shown on list following will be fixed as provided in last paragraph of section (c) of article 11 hereof.

	From—	To—
Automobiles.....	\$2.00	\$8.00
Adding and listing machines.....	.25	.50
Buckets, tipping, bottom-dump, orange-peel, clamshell, etc.....	.50	2.00
Boring machines, power-driven.....	.20	.75
Back fillers, power-driven.....	2.50	10.00
Block machines, concrete.....		
Boilers, upright and horizontal.....	1.50	6.00
Cars, steel or wooden, contractors'.....	.40	2.00
Crushers, stone.....		
Compressors.....	1.50	8.00
Derrick, with or without power.....	.50	2.00
Dirt spreaders.....	2.00	15.00
Driving outfits, complete.....		
Engines, skeleton, with or without slewing gears.....	2.00	5.00
Excavators, traction.....	2.00	15.00
Hammers, riveting.....		
Instruments, engineering.....	.25	1.00
Locomotives, narrow or standard gauge.....	5.00	25.00
Mixers, with or without power, equipped with loaders or not.....	1.00	8.00
Motor cycles.....	.25	1.00
Motors, electric.....	.25	8.00
Pumps, with or without power.....	.50	6.00
Pipe machines, with or without power.....	.50	6.00
Pile drivers, drop, steam-hammer or jet, with or without power.....	.50	25.00
Plovers, not car unloaders.....	.25	1.00
Rail, per ton.....		
Rollers, horse or power.....	.50	15.00
Scrapers, slip or wheel.....	.25	1.00
Saws, power.....	.25	5.00
Steam shovels.....	10.00	30.00
Skips, steel or wooden.....	.10	1.00
Trench diggers.....	10.00	30.00
Trucks, motor.....	1.00	25.00
Wagons.....	.25	1.00

Note.—Fuel, lubricants, and labor not included in the above.

The contractor will endeavor to supply all contractor's equipment of every description necessary for the proper handling of the work. A charge will be made for such contractor's equipment as is used for this work according to the rates, determined by the agent, and such contractor's equipment will be carried on the contractor's regular pay rolls, and as a part thereof at these rates, for each and every regular working day; also for Sundays and holidays if used. In the event of contractor's equipment being used for a longer time than 10 hours per day, an additional charge pro rata of the scheduled rates will be made for such overtime as each item is used. The duration for which rental will be charged, except as otherwise specified above, is from the time the contractor's equipment is loaded on cars for shipment to the work, as shown by the shipping manifest, and until contractor's equipment is loaded again for return to the contractor, Sundays and holidays except unless used.

In the event that it is desirable or necessary for the contractor to rent any contractor's equipment, owned by other parties, charges on pay rolls, for such rentals will be as per the actual charges as billed to the contractor by the suppliers of such plant, and in addition, any other charges for which the contractor is liable.

Repairs.—The contractor's equipment will be shipped in good operative condition and charges for ordinary replacement of parts or other repairs necessitated during the progress of the work will be billed at cost of such replacement or repairs.

On rented equipment, charges for repairs will be in accordance with the agreements with the owners of such equipment.

[Copy.—Original sent to home office.]

JUNE 4, 1918.

MARLIN-ROCKWELL LOADING CO.,
Wilmington, Del.

GENTLEMEN: 1. Proposed contract between your company and the Fred T. Ley & Company (Inc.) for construction of plant under your order War-Ord. is approved and copy is returned herewith with approval noted thereon.

2. In connection with this approval, your attention is directed to the following, and it is requested that you advise the Fred T. Ley & Co. (Inc.), for the information of such company, in connection with Government supervision of this contract:

(a) Page 8, Article II, subdivision 8: Fire insurance should not be carried on Government property.

(b) Page 9, Article II, subdivision "J": Provides for payment of hotel expenses of officers, engineers, and other employees of the contractor which are actually incurred. It is desired to confirm understanding between this office, your Mr. Russell, and Mr. Sickman, of the Fred T. Ley & Co., that hotel expenses of officers and employees permanently stationed will not be allowed by the Government.

(c) It is also desired to confirm understanding that in calculating cost under Article III for purpose of determining rate of compensation that those costs on which no fee or a special fee is paid are excluded.

3. All payments and charges under this contract and all subcontracts made by Fred T. Ley & Co. are subject to approval, and execution of the contract is subject to supervision by the Government.

WINTHROP SARGENT, JR.,
Major, Ordnance Department, N. A.
By W. P. JEFFERY,
Captain, Ordnance Department, R. C.

Mr. GRAHAM. By this contract between your company and the Government you are authorized, as agent, to select the land, select the contractor, make the plans, and do the building, and for that you were to receive a certain fee?

Mr. TOBEY. Of 10 per cent; yes, sir.

Mr. GRAHAM. What proportion of that fee were you to pay to the subcontractor doing this work?

Mr. TOBEY. The original contract was that we were to receive a fee of 10 per cent. After numerous conferences with Col. Spruant and Gen. McRoberts, of the Procurement Division, the matter of the construction of the buildings, as distinguished from the various loading-plant buildings, was sublet to Fred T. Ley & Co. under the terms of that contract. Thereafter, I should say about the 1st of August, the Marlin-Rockwell Loading Co. went to the contract section of the Ordnance Department and stated that inasmuch as the cost had risen beyond the original estimates that the Marlin-Rockwell Loading Co. would assimilate the fee and out of the 10 per cent pay anything required to be paid to Ley. So that there can be absolutely no criticism that double fees were being incurred against the Government, although both contracts had been theretofore approved.

Mr. GRAHAM. So that there was an agreement that you would pay the Ley commission?

Mr. TOBEY. We took the position that our contract called for us to construct, or to cause to be constructed, this plant; and, inasmuch as the subcontract under which it was to be constructed had been approved by the Government, we felt we had made a substantial compliance with our contract. Both fees were to be paid by the Government, and both contracts had been approved, but we voluntarily went to the Government and assumed that fee and thereafter paid it; and not only thereafter paid it, but reimbursed the Government anything it had paid to Fred T. Ley & Co.

Mr. GRAHAM. So far as the Government was concerned it might as well have paid both.

Mr. TOBEY. It assumed it when it approved the contract.

Mr. GRAHAM. What was on that land when you last saw it? Let us get an idea of what the Government has on it.

Mr. TOBEY. It has temporary bunk houses, and—

Mr. GRAHAM (interposing). Tell us how many and how large they were.

Mr. TOBEY. Well, I can do that; or Mr. Allen can do it better, and he will be on the stand later; or Mr. Kinnear can do it.

Mr. GRAHAM. All right. There is a provision in this Ley contract to which my attention has been called. It is Article VIII, under the heading "Abandonment of work by the agent," and is as follows:

If conditions should arise which in the opinion of the agent makes it advisable or necessary to cease work under this contract, the agent may abandon this work and terminate this contract.

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. And the Marlin-Rockwell Loading Co. is referred to as the agent?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. Now, I presume that means that you can discharge the contract or suspend operations under the contract with Ley & Co. at any time you pleased?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. When I first read it it occurred to me that possibly it might mean that you might abandon your contract with the Government, but inasmuch as you were the agent that refers to the subcontractor.

Mr. TOBEY. The privity there was between the agent and the sub-contractor, but we were the agents for the principal.

Mr. GRAHAM. I see that that is correct.

This land that you took options on you leased, didn't you?

Mr. TOBEY. No, sir; we bought it.

Mr. GRAHAM. Did you buy it?

Mr. TOBEY. Yes, sir. The Government leased the land from us.

Mr. GRAHAM. The Government leased it from you?

Mr. TOBEY. Yes, sir. The reason for that was, this: At the time, as I understand it, when this contract was being considered, the Government had no authority to buy land. That is, the Ordnance Department had no authority to buy land without a specific act of Congress giving such authority, and they instructed us to take options and to buy the land, if directed to do so, and then——

Mr. GRAHAM (interposing). Let me see. I do not want to interrupt you, but let us enlarge on that matter a little: You say there was no authority for the Ordnance Department at the time to buy land?

Mr. TOBEY. That they had no authority to buy land, as we were informed, without specific authority from Congress in each case. And the plan adopted, as I understand it, by the Ordnance Department was that the agent in such case would buy the land and lease it to the Government at an annual rental, the rental to apply on the purchase price until the aggregate rental paid equaled the purchase price, after which the Government could receive title to the land on demand.

Mr. GRAHAM. Well, as a matter of fact, did the Government ever buy this land and get title to it?

Mr. TOBEY. Yes and no. They have paid us for it at the annual rental rate, \$70,000 a year, in monthly installments. Now, the aggregate of those rentals so paid equaled what we paid for the land. We have presented to the Government deeds to the land and have expressed our willingness to execute them, or take any steps they want to convey title. Abstracts of title, insurance policies, form of deed, and so on, are in the office down there, and the last word we had from them was that they would be taken up in due course.

Mr. GRAHAM. Did you charge them any more than the actual rentals you had to pay?

Mr. TOBEY. We paid no rentals, Mr. Chairman. We bought the land and they paid us a rental for it. The aggregate rentals were to equal the cost of the land, interest at 6 per cent, and the expenses of the agent in regard to the purchase, such as recording deeds, procuring title, policies, etc., as well as taxes then due. The aggregate of that was \$70,000.

Mr. GRAHAM. That was the entire cost of the land?

Mr. TOBEY. The entire cost of the land, so far as the Marlin-Rockwell Loading Co. was a party to it. After the Gillespie explosion—well, perhaps, before that—the Ordnance Department recommended that additional land be acquired. There was a tract of land consisting of 200 acres, more or less, adjacent to the property we had bought, and when it was decided to buy that—and I want to say that prior to that time the Government had received authority, or the War Department had, to purchase that land, and at that time this real estate section of the Purchase, Storage and Traffic Division sent

a representative there and said they would take charge of the purchase of that additional land. Its representative went down and purchased it. We never had anything to do with that. We were not a party to it. They paid for that 200 acres \$22,000. Also, we had acquired options on rights of way for the railroad; the right of way was $8\frac{1}{2}$ miles long and it was 65 feet in width, and consisted of 31 parcels of land. They were under operation and the representatives of the real estate section said they would take that also off of our hands, but they did not exercise the options, but commandeered and condemned the whole property.

Mr. GRAHAM. Do you know what that cost them?

Mr. TOBEY. Our option price, as I recall, was about \$28,000. I think the verdict they got was between \$30,000 and \$35,000. Those proceedings were carried on by the district attorney in the Federal court of Wilmington.

Mr. GRAHAM. Besides costs?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. That was handled by the real estate section?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. They seem to have been good business managers. What was ever done with these 200 acres, anything at all?

Mr. TOBEY. Well, immediately after that was purchased—and it was contiguous to our property and the temporary buildings and general operations, and those general operations took in both parcels, don't you see?

Mr. GRAHAM. So how many acres all together does the Government have out there, if it takes the total?

Mr. TOBEY. Six hundred and fifty-six acres, I think. I may be a few acres off. Then the 200 acres that the Government purchased, making a total of 856 acres.

Mr. GRAHAM. Is this contract designated by any particular name? I mean this tract of land referred to.

Mr. TOBEY. It is the Abe Jones tract.

Mr. GRAHAM. Maj. Foster speaks of a tract some place which he thinks—well, I can not remember what it was.

Mr. TOBEY. The Lukens Field tract?

Mr. GRAHAM. It was not that tract.

Mr. TOBEY. Well, I do not know what it was.

Mr. GRAHAM. That was nowhere near the point, nowhere near around there, was it?

Mr. TOBEY. Our plant site was about 20 miles south of Wilmington. The so-called Lukens site was, on the surface, a very desirable piece of land about 4 miles from Wilmington and between our plant and Wilmington and 16 miles from our plant.

Mr. GRAHAM. Was that considered favorably?

Mr. TOBEY. Yes, sir; it was.

Mr. GRAHAM. What was your judgment about it?

Mr. TOBEY. My judgment was this: We endeavored to get an option on the property to submit it to the Ordnance Department and get their determination as to whether that property would be better than the one we had purchased on account of the repairs that would have to be made on the dike. We could get no option on it. Mr. Lukens, over the long-distance telephone, said that if the land were sold at all he wanted at least a thousand dollars an acre for it, and my recollec-

tion is that there was pretty nearly a tract of 1,000 acres, and he would not sell any part of it. That is my memory; that it must have consisted of 1,000 acres, but as to the price of a thousand dollars an acre, I am sure of that.

Mr. GRAHAM. You did not start to condemn it?

Mr. TOBEY. That was in April, about the middle of April. Up to that time the only proceeding we could have adopted was to consider condemnation proceedings. The commandeering act was passed later on. Condemnation proceedings were too slow, because no entry could be made until you got judgment without filing a very heavy bond. The commandeering act permitted immediate action, but that was not in existence at the time. According to my judgment, and that was in the minds of the operating officials at that time, it would be a very, very great hazard to have an explosive business of that character within 4 miles of a city of 135,000 people. So far as convenience to the operatives, there is no question about that. A railroad ran through a part of the tract, as I remember. One of the suburban spurs of the Wilmington Street Railway line ran down to the property, and in that way it would have been a very great convenience.

Mr. GRAHAM. If you could have gotten it at a less price at that time you would have taken it?

Mr. TOBEY. I do not think we would; no, sir.

Mr. GRAHAM. Well, let us leave that subject and go to another subject: The contract states on its face, "It is estimated that the plant will cost from \$1,250,000 to \$1,500,000, depending on the kind of explosive to be used therein, and it is understood that, based upon the agent's best judgment developed by the best experience, that the plant will be ready for partial operation on or about three months after the execution of this contract." I judge that the time mentioned in that contract was way off.

Mr. TOBEY. It was, sir.

Mr. GRAHAM. You spent over twice that much, and even then hardly got your plant started.

Mr. TOBEY. Well, unquestionably we spent over twice that amount, over twice the maximum stated there. So far as the finished operation was concerned, if you use that one angle, we did not get started; but in any operation of that kind a great deal of money is expended in the beginning, and if you chop it right off it looks like a dead waste, but at the same time you have to do that if you want a completed structure.

Mr. GRAHAM. What would the plant have cost?

Mr. TOBEY. According to the latest estimate, our estimates, as I recall, were about \$8,500,000, but the construction division raised those estimates very materially.

Mr. GRAHAM. To about \$12,000,000?

Mr. TOBEY. No; I think about \$10,000,000, or slightly under \$10,000,000.

Mr. GRAHAM. Who made the first estimate?

Mr. TOBEY. The Ordnance Department. I am informed that we made no estimates on it.

Mr. GRAHAM. You have no personal knowledge of that?

Mr. TOBEY. I have no personal knowledge, because that was introduced long before my connection with the company.

Mr. GRAHAM. Have these other gentlemen any information about that?

Mr. TOBEY. No; because Mr. Allen came after I did, and Mr. Kinneer even more latterly.

Mr. GRAHAM. Here are some matters mentioned in Maj. Foster's statement——

Mr. TOBEY (interposing). May I add one thing to the question of the estimates?

Mr. GRAHAM. Certainly.

Mr. TOBEY. You understand that the increased cost arose very largely from the plans of the Ordnance Department, as the result of their changing and increasing the situation there, and because labor went up by leaps and bounds; and because of changes in plant design, and broadening out the whole proposition, and the amount of increased land purchased, and increased cost in every way. The original estimate was so crude and worthless that it was not used by us.

Mr. GRAHAM. When your loading company was organized what officers did it have?

Mr. TOBEY. When the loading company was organized?

Mr. GRAHAM. Yes.

Mr. TOBEY. My recollection is that Mr. A. F. Rockwell was the president, and Mr. Edgar Park was vice president, and Mr. Louis C. Stoddard was vice president, and Mr. Russel was a vice president and the general manager, and I was its treasurer. The secretary of the company was a man named Kerr, who was also the secretary of the Marlin-Rockwell Corporation.

Mr. GRAHAM. Who was your first manager?

Mr. TOBEY. Mr. P. S. Russel.

Mr. GRAHAM. Who afterwards?

Mr. TOBEY. He resigned from the Marlin-Rockwell Loading Co. about the 15th of August, 1918, and took a commission in the Ordnance Department.

Mr. GRAHAM. When in your employ what salary was he drawing?

Mr. TOBEY. \$15,000 a year.

Mr. GRAHAM. Maj. Foster speaks also in his report of the man who succeeded Mr. Russel. Did he draw a salary of \$15,000 a year also?

Mr. TOBEY. That is I, and I am here.

Mr. GRAHAM. Oh, is that so. That is true, is it?

Mr. TOBEY. It was \$12,000 a year at first and \$15,000 thereafter.

Mr. GRAHAM. You drew a salary of \$12,000 a year as treasurer and then \$15,000 as general manager?

Mr. TOBEY. That is true, sir.

Mr. GRAHAM. How long have you been out of the employ of this company?

Mr. TOBEY. I left there, so far as the Government was concerned—I think the 1st of February. Then I stayed there with the Marlin-Rockwell Loading Co., at their expense, until about March 15, simply to do what I could to settle up the contract and liquidate it. I left Wilmington about that time.

Mr. GRAHAM. I want to call your attention to something that was done on June 21. Col. McRoberts seems to have written a letter to the Marlin-Rockwell Loading Co., which I presume was in response to some suggestion made by the company:

Inasmuch as negotiations were pending for some time before the execution of above contract—

And that is your contract—

and you were authorized by this department on or about March 1, 1918, to prepare for the performance of the contract, and incur the necessary expense in connection therewith, authority is hereby given you to charge all expenses incurred subsequent to March 1, 1918, that are of such character that could properly be charged under the terms and conditions of said contract if same had been executed March 1, 1918.

In other words, I understand by that he was authorizing you to charge as expenses on the contract, salaries, and other expenses that had been paid out prior to March 1, 1918, on this particular contract.

Mr. TOBEY. That is true, Mr. Chairman. We always figured—well, on March 1 we got what in the parlance of the Ordnance Department was a go-ahead order. It was informal and given to us with the statement that the contract would be executed as soon as finally prepared; and in good faith, and in pursuance of that authority and direction we expended moneys for which we thought we could properly be reimbursed; and the accounting department said that without written authority they could only pay from the date of the contract, so that was the occasion for that letter.

Mr. GRAHAM. So what did, as a matter of fact, go into the expenses? All expenses that had been incurred up to that time, of every kind, including salaries?

Mr. TOBEY. Salaries of people who from the 1st of March on thereafter had devoted their time exclusively to the carrying out of that operation. Expenses such as incidentals, fees, expenses, rents, and general expenses.

Mr. GRAHAM. And upon that you also charged 10 per cent, did you?

Mr. TOBEY. The Ordnance Department, in writing, construed those salaries as a part of the expense of operating within the meaning of the contract.

Mr. GRAHAM. And as such subject to the charge of 10 per cent?

Mr. TOBEY. Yes, sir; because 10 per cent attached to the cost of the construction of the operation. All expenses prior to the 1st of March, and they were very substantial, were paid by ourselves, having sought no reimbursement.

Mr. GRAHAM. I find also that another rather peculiar situation in here: It seems that you applied for a priority order on this work for materials, and that that was refused. Do you remember that?

Mr. TOBEY. Well, that was while I was treasurer, and therefore did not come directly under my supervision, but I know about it in a general way.

Mr. GRAHAM. What was the nature of it?

Mr. TOBEY. There was a great mix up, as I understand, on priority orders. At first they were granted, and a general priority order was issued in which an operation was given a priority number, and that was used. Then there was a ruling emanating from the War Department, or some branch thereof, which stated that priority orders would be issued only in individual cases, and that blanket priority orders would not thereafter be issued. Therefore, ourselves or our subcontractor had to apply for a priority order on a given consignment. And, of course, it was difficult to get them, because every individual priority order had to be issued separately.

Mr. GRAHAM. The only application for a priority order that I find in connection with this matter was refused. Did you have considerable trouble in getting your material?

Mr. TOBEY. Well, no; I shouldn't say any great difficulty in obtaining material. I can not recollect that we had any difficulty in getting priority orders, but I know that it was the general situation that you could not get a blanket priority order. But I am sure that there were priority orders issued. I do not think that we only applied once—I do not think that is correct.

Mr. GRAHAM. Has the Government made any move to salvage anything out there or to sell it?

Mr. TOBEY. Specifically I can not answer that question. The Philadelphia Claims Board, upon the cancellation of the contract, took care of the liquidation and it has representatives, and whether they are stationed in Wilmington or not I am not sure, but I think stationed there, and to pay the just bills that we had incurred, and the subdivision of the Philadelphia Claims Board, known as the Salvage Corps, has taken charge of that plant. But just what they have done in the way of salvage is something that would not come to the officials of the Marlin-Rockwell Loading Co., and I not having been there know nothing about it.

Mr. GRAHAM. In your judgment is that plant out there saleable in its present form for any particular amount?

Mr. TOBEY. I should think that it had only a salvage value.

Mr. GRAHAM. And is the land worth what it will bring and the buildings what you can get for them for any purpose?

Mr. TOBEY. Yes, sir.

Mr. GRAHAM. And that is not very much.

Mr. TOBEY. Well, you know about how these things have been going. I should say not a very substantial value, but there is quite a boom in real estate right now.

Mr. GRAHAM. What is that?

Mr. TOBEY. The Federal Government has taken over the Chesapeake Canal, which runs very near to that property, and land values have gone up enormously. I should think that the land was probably worth a good deal more than when we bought it, or what we paid for it, according to present prices.

Mr. GRAHAM. The Government is running that canal?

Mr. TOBEY. They have taken it over, as I understand.

Mr. GRAHAM. There were some supplemental contracts, weren't there?

Mr. TOBEY. All through the files of the War Department they talked about three contracts. The only contracts are the ones you introduced in evidence to-day and the so-called triparty contract between the Government and the Marlin-Rockwell Loading Co. and the Marlin-Rockwell Corporation, whereby the last-named corporation agreed to advance at any time on demand a sum up to \$125,000 as working capital.

Mr. GRAHAM. Have you a copy of that triparty agreement here?

Mr. TOBEY. Well, everything that is included in that contract is included in this. Here is what the triparty agreement contained:

Mr. GRAHAM. And then here is a supplemental contract.

Mr. TOBEY. That is the only third contract, and that is the only supplemental contract. The original contract called for a bond of

\$880,000, but in talking with a representative of the Ordnance Department, I was able to convince him that that bond should be reduced to \$250,000, which was done.

Mr. GRAHAM. When was that done? This contract is dated the 10th of September, 1918.

Mr. TOBEY. That was the date, then.

Mr. GRAHAM. That was the only change that was made by the second supplemental contract?

Mr. TOBEY. You are correct; that is all.

Mr. GRAHAM. They are all of the contracts that were ever entered into so far as you know between the United States and any of the interested parties?

Mr. TOBEY. Yes. Of course, there were contracts entered into, two subcontracts—with Fred T. Ley & Co., already mentioned, and the contract with Baldwin's Incorporated, for the commissary. Both of these contracts, although not required under our contract, they were continuing ones and we thought it prudent to submit them to the Government, and they were approved by the Government.

Mr. GRAHAM. The Baldwin contract only has reference to the commissary, supplies, and that sort of thing?

Mr. TOBEY. Absolutely that is all.

Mr. GRAHAM. Have you covered the ground as far as you want to do so?

Mr. TOBEY. There are one or two things I would like to mention: This so-called Maj. Foster report has spoken quite specifically about salaries. I appreciate what I venture to be your courtesy in not going too far in that, because, perhaps, I am interested, but you do not have to spare my feelings. The situation as to salaries was that the salary of Mr. Russel, as general manager, and my salary as treasurer, respectively, \$15,000 and \$12,000, were specifically approved in writing by the Ordnance Department. The salaries of the other officials of the company were not so specifically approved, but a list was submitted and payments made thereon, which in itself was an approval.

About the middle of August Mr. Russel resigned and I took his place. My election as his successor was approved by the Ordnance Department in writing. I thereupon took up with the disbursing officer in Wilmington and asked his advice as to whether the salary of \$15,000 would attach to the change in the office or whether I should obtain the consent of the Ordnance Department to the change. He ruled and advised me that it was absolutely unnecessary; that the approval of the salary of \$15,000 for the general manager automatically attached to the incumbent; in other words, that it was a payment for the office and not the man. And if the man's selection had been approved that was sufficient. The Philadelphia Claims Board has also ruled. The change in salaries which has been so severely censured by Maj. Foster resulted in a saving of \$9,500 a year in the salary list to the Government.

Mr. GRAHAM. Tell us how that was.

Mr. TOBEY. Mr. Allen, the present treasurer, and who succeeded me as treasurer, received \$4,800. He was advanced to treasurer and his salary made \$6,000. Mr. Russel had been receiving \$15,000, and I took his place. Thereafter the two officers received \$21,000 as against \$27,000. Thereafter I made a very substantial reduction in

the salary list; that is, I condensed the work and let two heads of departments go—which again is referred to in Maj. Foster's report—I condensed the work and saved something like \$40,000, so that the readjustment and the alleged extravagance is, as a matter of fact, absolutely untrue.

Mr. GRAHAM. Is there anything further?

Mr. TOBEY. Well, I would like to read into the record, because it is also a matter of comment, the report on the approval of the site. This letter is dated June 12 and addressed to us.

Mr. GRAHAM. Who is it from?

Mr. TOBEY. Gen. McRoberts.

Mr. GRAHAM. Being from an officer of the Government, you may read it in.

Mr. TOBEY. The letter is as follows:

WAR DEPARTMENT,
PROCUREMENT DIVISION,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, June 12, 1918.

MARLIN-ROCKWELL LOADING CO.,
Wilmington, Del.

GENTLEMEN: I am directed by the Acting Chief of Ordnance to hereby confirm, as of March 1, 1918, the oral approval by the representative of the procurement division of the site selected by you for this plant under war-Ord. P3542-1231 Tw.

This oral approval, after due consideration, was given to your company in order to enable you to exercise the options which you had for the purchase of a tract of land between Delaware City and Fort Penn, Del., upon which you are to build a plant for the loading, assembling, and packing of aerial munitions under the above contract, which land has since been purchased by your company.

Respectfully,

SAMUEL MCROBERTS,
Colonel, Ordnance Department, National Army, Contracting Officer.

Mr. GRAHAM. Mr. Jefferis, any questions?

Mr. JEFFERIS. This report of Maj. Foster is dated October 23, 1918.

Mr. TOBEY. Yes, sir.

Mr. JEFFERIS. Now, he speaks in this report of the first manager of the loading company. Who was the first manager of the loading company?

Mr. TOBEY. A man by the name of P. S. Russel.

Mr. JEFFERIS. Do you know what business he had been engaged in before he became general manager?

Mr. TOBEY. Not in detail, Mr. Congressman. I know that he was an engineer by profession, and, I think, had been engaged in construction work and mining work, but specifically I could not answer that question.

Mr. JEFFERIS. Maj. Foster speaks of him as a salesman.

Mr. TOBEY. Well, he applies that epithet to the most of us. He was the head, immediately preceding that position, as Mr. Gamble informs me, of the bombing division of the Marlin-Rockwell Corporation, which had been engaged in the production of these Barlow bombs.

Mr. JEFFERIS. He speaks of the second in command of the loading company and refers to him as the general manager in full charge.

Mr. TOBEY. I am he.

Mr. JEFFERIS. That would be you, would it?

Mr. TOBEY. Yes, sir.

Mr. JEFFERIS. What was your business before you were connected with the loading company?

Mr. TOBEY. Investment banking for 15 years. I practiced law 5 years prior thereto, that is, 5 years prior to that period of 15 years. I might say that, although I do not regard it as a cause for any criticism, that I never had been a bond salesman. I wish I could sell bonds, but I never was able to do it.

Mr. JEFFERIS. It speaks of this one second in command as having been in the employ of the J. G. White Engineering Co. for a time.

Mr. TOBEY. That is an absolute misstatement of fact. I never was.

Mr. JEFFERIS. You had been in the business you have mentioned prior to that time?

Mr. TOBEY. Yes, sir.

Mr. JEFFERIS. Then he speaks of the man who is now treasurer and in command in the absence of the general manager—that would be in your absence?

Mr. TOBEY. Yes, sir. That is the gentleman sitting over there.

Mr. JEFFERIS. What is his name?

Mr. TOBEY. Mr. Allen.

Mr. JEFFERIS. What business had Mr. Allen been in before he was connected with the loading company?

Mr. TOBEY. Well, if I may speak for him in his presence, he had been in the construction business in Mexico and had been employed in a number of commercial enterprises.

Mr. JEFFERIS. Mr. Tobey, how did you happen to get connected with the Marlin-Rockwell Loading Co.?

Mr. TOBEY. Well, the business of which I had been at the head for five years, I had sold out. I had known Mr. Park, one of the vice presidents of the Marlin-Rockwell Corporation, though only in a social way, and he came to me about the 1st of March, 1918, and wanted to know if I wanted to do some war work—I having been turned down by the Government as far as enlistment was concerned—and I did want to do some war work. He said that they had been asked by the Government to take up an operation in Wilmington, but that he did not know whether it would eventualize or not, but said if so he wanted me to go down there and take care of the financial end of it, which my training for 15 years he thought justified, as I had been along that line.

Mr. JEFFERIS. You were then living in New York?

Mr. TOBEY. Yes, sir.

Mr. JEFFERIS. Did Mr. Park live there?

Mr. TOBEY. That is, he was in business there, but lived in the suburbs.

Mr. JEFFERIS. Do you know how Mr. Allen came to be connected with the company?

Mr. TOBEY. At my request, because Mr. Allen had been connected with various enterprises that I had been connected with, and I wanted some man there as assistant that I could rely on, and I knew him, and knew his ability, and solicited his coming on from Minneapolis, which he did.

Mr. JEFFERIS. I take it that neither you nor Mr. Allen had anything to do with the organization of the Marlin-Rockwell Loading Co.?

Mr. TOBEY. No. The company was incorporated, as I stated, about the 1st of April, at which time I was not connected with the business. I was elected at one of the early organization meetings of the corporation.

Mr. JEFFERIS. Do you know who actually did incorporate this Marlin-Rockwell Loading Co.?

Mr. TOBEY. Well, I do not know precisely. It was incorporated at the instance of the Marlin-Rockwell Corporation, purely with the idea of having an agency contract not confused with the other business that they were doing with the Government on a fixed price. They did not want to get their books mixed up or the two corporations confused, they were so essentially different.

Mr. JEFFERIS. Did you or Mr. Allen or Mr. Russel have any stock in the Marlin-Rockwell Loading Co.?

Mr. TOBEY. Absolutely not a share; with the exception of directors' shares, every share of the Marlin-Rockwell Loading Co. was owned by the Marlin-Rockwell Corporation.

Mr. JEFFERIS. I suppose the company was incorporated under the laws of the State of Delaware—that is, the Marlin-Rockwell Loading Co.?

Mr. TOBEY. Yes, sir; it was.

Mr. JEFFERIS. You have mentioned it, I know, but the Marlin-Rockwell Loading Co. and the Marlin-Rockwell Corporation, I suppose, had the same president, the same vice presidents, and general officers, did they?

Mr. TOBEY. The officers of the two corporations were the same with the exception of Mr. Russel and myself, and after Mr. Russel's resignation Mr. Allen and myself were officers of the loading company, but in no wise connected as officers of the parent company. Mr. Rockwell, Mr. Stoddard, and Mr. Park were officers of both companies.

Mr. JEFFERIS. Did they draw any salaries from the Marlin-Rockwell Loading Co.?

Mr. TOBEY. I do not think they did. They drew nothing from the Government.

Mr. JEFFERIS. Did your salary, and Mr. Allen's salary, and Mr. Russel's salary go to the Government for payment?

As I understand it they were paid by the Government.

Mr. TOBEY. Yes; paid by the Government. We were made officers purely because from time to time contracts would have to be executed and they might be a matter of haste, and unless we were duly qualified executive officers, all those contracts would have to come to Wilmington to be passed upon, to see whether they were all right as a practical proposition, and then be sent up to New York for execution. And it was thought better to have officers at Wilmington who could come to Washington if necessary, or execute contracts at Wilmington, as a matter of promptness. That was the sole reason that we had anything to do with what you might say general direction of the policy. We were simply employees, given those titles for convenience.

Mr. JEFFERIS. Did Mr. Rockwell himself spend any time at the Marlin-Rockwell Loading Co.'s plant?

Mr. TOBEY. Yes; he was there, and devoted considerable time in an endeavor to assemble matters. In fact, they were intrusted

to him, as a practical manager, to assemble the practical manufacturing operations. But the plant never came into actual operation, because we were so delayed in construction it was impossible to assemble operations as they could not be done long in advance. But he was looking around and getting options on men's services.

Mr. JEFFERIS. Was Mr. Park giving any of his time down there at that loading plant?

Mr. TOBEY. Well, practically the same as with Mr. Rockwell. They were the two chief operating heads, and had charge of the administrative policy of the Marlin-Rockwell Loading Co. and the Marlin-Rockwell Corporation, respectively, and were president and first vice president.

Mr. JEFFERIS. How about Mr. Stoddard?

Mr. TOBEY. As to Mr. Stoddard, I do not think he did, though he may have somewhat. But the two active heads of the corporation and company were Mr. Park and Mr. Rockwell.

Mr. JEFFERIS. Now, I take it that the real inspiration of this Marlin-Rockwell loading plant was the fact that the Marlin-Rockwell Corporation had patent rights on the Barlow bomb, didn't they?

Mr. TOBEY. They did; yes, sir.

Mr. JEFFERIS. Had patent rights on this Barlow bomb?

Mr. TOBEY. They have; yes, sir.

Mr. JEFFERIS. Do you know where they had that bomb tested?

Mr. TOBEY. It was tested by Army men, and the tests were made right outside of Washington here, somewhere.

Mr. JEFFERIS. When was that done?

Mr. TOBEY. Along in the winter and early spring of 1918.

Mr. JEFFERIS. That, I suppose, you know from hearsay?

Mr. TOBEY. Hearsay. I do not state that as a fact. They were tested there, so I am told.

Mr. JEFFERIS. Who tested them over there?

Mr. TOBEY. I do not know, but they were tested by Army officers.

Mr. JEFFERIS. Who is Mr. Barlow, do you know?

Mr. TOBEY. He is an inventor.

Mr. JEFFERIS. Where does he come from, or spring from?

Mr. TOBEY. I think he was born in Iowa, sir. He had quite an inventive genius. I do not know what he has invented from my own knowledge.

Mr. JEFFERIS. Do you know where he lives now?

Mr. TOBEY. I think in New York, doesn't he, Allen?

Mr. ALLEN. In New Haven.

Mr. TOBEY. He lives in New Haven.

Mr. JEFFERIS. The Marlin-Rockwell Corporation's main office is at New Haven, is it not?

Mr. TOBEY. Their executive offices are in New York. Their principal operations during the war, principal operation on Government contracts, were conducted at Norwich, Conn., and New Haven, Conn. They had contracts aggregating something over 100,000 machine guns for the Government.

Mr. JEFFERIS. What is the fact, if you know, Mr. Tobey, as to whether the Marlin-Rockwell Corporation actually owned the patents on this Barlow bomb or not?

Mr. TOBEY. This is from hearsay, but I understand that they have a contract whereby they paid something like \$50,000 to Barlow and entered into an agreement on a royalty basis, and I think also enlisted his services at an annual retainer of perhaps something like \$10,000. That is my general recollection from hearsay. He had a royalty agreement of some kind. I never saw it and am not familiar with it.

Mr. JEFFERIS. Do you know when the Marlin-Rockwell Corporation made this arrangement with Barlow for the manufacture of his bombs?

Mr. TOBEY. Mr. Jefferis, they made that long before our entry into the war. The contract between the Marlin-Rockwell Corporation and Barlow was made with an idea of selling them to foreign governments. It was not made as a consideration for obtaining any business or getting any contracts from the United States, because the royalty agreement had been in existence some time prior to our entry into the war.

Mr. JEFFERIS. Then, as you understand from hearsay, this Barlow bomb was tested out somewhat abroad and also in the United States?

Mr. TOBEY. Yes; I understand right here near Washington. I have seen pictures somewhere of the results of the explosions. They were taken near Washington.

Mr. JEFFERIS. Do you know what men of the Ordnance Department claimed to have tested it?

Mr. TOBEY. I can not say as to that. I should imagine that it was provided for under Col. Ragsdale's department. He had a great deal to do with trench warfare, under which jurisdiction this would have been.

Mr. JEFFERIS. Do you know what member of the Ordnance Department or what men of the Ordnance Department got after the Marlin-Rockwell Corporation to get them to go into the loading proposition?

Mr. TOBEY. Not specifically; not of my own knowledge. The details of the contract were largely intrusted to then Capt. Saulsbury; Capt. Hunting, over in the contract section of the Procurement Division; Col. Ralph Cruz, who was head of the legal section of the Contract Division; Col. R. P. Lamont; Gen. McRoberts; Col. Black. I think Col. Black came in considerably after the contract was signed.

Mr. JEFFERIS. I mean way back there early in January of 1918. You spoke in your testimony in response to a question by Mr. Graham, as I understood you, that the Government first took up with the Marlin-Rockwell in this proposition and were very anxious for them to take it.

Mr. TOBEY. Just who the officer or officers were, I do not know.

Mr. JEFFERIS. Do you know who was Chief of Ordnance then?

Mr. TOBEY. I think Gen. Crozier was chief then. You see, the Marlin-Rockwell Corporation had secured and performed and delivered on contracts for a large number of guns for the Russian Government. The contract was negotiated with Great Britain before our entrance into the war, and we had all the necessary tools and equipment for making guns and were therefore in a position to start right off with the Government when we entered the war.

Mr. JEFFERIS. What I was trying to find out was what Army officer approached the Marlin-Rockwell Corporation and induced them to go into this loading proposition?

Mr. TOBEY. I could not say who they were.

Mr. JEFFERIS. Did you ever hear who they were?

Mr. TOBEY. No, I did not. I simply more or less assumed it on my part, that Col. Cruz and those people, because from my connection with the company after April 1 up to the date of the contract they were the people with whom I came in contact mostly. They seemed to know all about it, and I assumed they were in it from the beginning.

Mr. JEFFERIS. Just what did you hear about the Ordnance Department approaching the Marlin-Rockwell Loading Co. and inducing them to take up this matter?

Mr. TOBEY. No more than I have said. That is just from hearsay and office gossip that the Marlin-Rockwell Corporation felt that they had about the business they could swing. They had a staff of operatives, something like 16,000 men, and were turning out machine guns in vast quantities. They were all on a fixed-price basis, and this was a little bit outside of their sphere of action and line of work, but as I understood, the Government seemed to think that they had the ability to deliver the goods on their machine gun contracts; they were always ahead of their delivery dates, with very few rejections, and they seemed to want us to take it on.

Mr. JEFFERIS. That is just what you heard?

Mr. TOBEY. That is hearsay.

Mr. JEFFERIS. Apparently there were negotiations going on from January 1, 1918, up until May 22, before they got a contract in writing.

Mr. TOBEY. That is true. A contract in substantially that form was submitted to a meeting very early in April at which I attended here in Washington. I do not think there were any changes made on that contract. If so, it was in form only, between that date and May 22.

Mr. JEFFERIS. By May 22 it seemed to have reached a point of the negotiations, or whatever they were, importunities or solicitations to enter into this contract though this loading plant could be built as I get it for about—what was it, a million?

Mr. TOBEY. Not to exceed one and one-half—between a million and a quarter and a million and a half.

Mr. JEFFERIS. Had not the Marlin-Rockwell Corporation during that time been investigating this matter?

Mr. TOBEY. That was, but as a matter of fact that clause was introduced by the Ordnance Department itself. The contract was executed so far as we were concerned, so far as the loading company was concerned, by sanction of its board of directors at a meeting held in Washington early in April. I think the contract was executed and left with the Marlin-Rockwell office here in Washington.

Mr. JEFFERIS. They executed the contract May 22 on the part of the Government?

Mr. TOBEY. Col. Lamont, acting for Gen. McRoberts. I think the price had been put in under the statute; I think there must be some estimate made. I am not absolutely sure about that.

Mr. JEFFERIS. What I am trying to get at is, with this matter under consideration for several months, from January 1 up to May 22, why it turns out that the Government signs a contract by Lamont and your company signs it, limiting the cost at a million and a quarter—why it should not get a little nearer to the price after that many months of negotiation.

Mr. TOBEY. I think that is quite a pertinent question and I think probably it could have been done. I think, generally speaking, that was regarded as just a recital. I do not think it was intended as a binding statement on the part of either the Government or the company. The Government was constantly changing plans after the estimate was put in all of which means increased costs. It was more or less a pro forma recital.

Mr. JEFFERIS. I know, but most of those changes had already taken place before May 22, 1918.

Mr. TOBEY. No; pardon me; we did not get out final plans, according to this chronological record until but three days before the armistice.

Mr. JEFFERIS. That was for what you would fill them with?

Mr. TOBEY. Certainly; but every time you change what you filled them with you changed your plans of designs.

Mr. JEFFERIS. As to size of buildings and things of that sort?

Mr. TOBEY. Size of building, character of construction, whether you have to have them separated with so much space, whether you had to have sand barricades, whether you would have a tile roof or steel roof, fire hazzard, explosive hazzard; all very dependent upon specifications.

Mr. JEFFERIS. How did you figure it out?

Mr. TOBEY. How did we figure it out?

Mr. JEFFERIS. How did you come to your conclusions?

Mr. TOBEY. From the reports of our own engineering experts and experts of the Ordnance Department.

Mr. JEFFERIS. Did the Ordnance Department change the specifications as to buildings themselves, or your company do that themselves?

Mr. TOBEY. Under our contract we were required to prepare and submit to the Ordnance Department a set of plans calling for buildings, which, in our judgment would be necessary to carry out the operation based on the specifications which they furnished us. The plans had to originate and be initiated by us, but they could not be acted upon until approved by the Government.

Mr. JEFFERIS. In other words, as I understand you, the Government did not know what it wanted and you did not know what it wanted either, is that it?

Mr. TOBEY. That is pretty nearly the case; yes, sir.

Mr. JEFFERIS. So both of you were groping in the dark, trying to arrive at something on which you could go ahead.

Mr. TOBEY. The first step taken was: "What do you want to have us do and we will make a recommendation." The Ordnance Department made tentative statements of what would be required, whereupon we promptly drew up a set of plans which bore our recommendation, just precisely as an architect will submit a plan to the

owner to build a house, but he can not build that house until the owner passes on the plans.

Mr. JEFFERIS. Who got up your plans?

Mr. TOBEY. Both our engineering staff and the staff of Fred T. Ley Co. as subcontractors.

Mr. JEFFERIS. How many plans did you get up?

Mr. TOBEY. I could not answer that, sir, very accurately, except to say that there were five principal changes and specifications, every one of which resulted in different plans—a different layout. When I say different plans layout I do not mean that every single building was substantially changed, but the whole plan was changed.

Mr. JEFFERIS. Had you not been working on them for three months at the time of the armistice?

Mr. TOBEY. As I read you that chronological record shows that on November 5 we got our final definitive plans, which required that we should be in operation within six months—was it not, Mr. Kinnear?

Mr. KINNEAR. Partial operation by three months and in complete operation six months after decision as to what mixture was to be used.

Mr. TOBEY. I make this unqualified statement as nearly as I can, that we would have complied with the requirements, having received them on November 5. We have not been in default. We challenged the War Department at a meeting of one of its committees to state wherein we have been in default, and we have never had that challenge answered.

Mr. JEFFERIS. Going back to January 1, of course, I assume it was the Marlin-Rockwell Corporation that was doing this business entirely, was it not?

Mr. TOBEY. Yes; everything was invoiced leading to a possible contract; yes.

Mr. JEFFERIS. It was really that company, then, that made the options for the real estate?

Mr. TOBEY. They were taken in the name of P. S. Russel individually, but acting either for the Marlin-Rockwell Corporation or its nominee, the loading company.

Mr. JEFFERIS. Were there some plans gotten up before April 1?

Mr. TOBEY. Because I made—yes, sir—a trip to Wilmington about the middle of March, at which time I went down to see what would be required and, as near as I could, make estimates. We had plans then in our office, but I did not go over them in detail. However, I knew they were there. Considerable work was being done. We had a staff of draftsmen there.

Mr. JEFFERIS. About the 1st of April would be about when the Marlin-Rockwell Loading Co. came into existence or was born as a corporation?

Mr. TOBEY. About the 1st of April.

Mr. JEFFERIS. And then its corps of managers took charge?

Mr. TOBEY. Yes, sir.

Mr. JEFFERIS. When did you start to build this 8½ miles of railroad?

Mr. TOBEY. About the middle of July, was it not, Mr. Allen?

Mr. ALLEN. I think it was later than that, if I remember it right.

Mr. TOBEY. It was right along there somewhere.

Mr. ALLEN. Between the 15th of July and the 1st of August.

Mr. JEFFERIS. How long did it take you to build that?

Mr. TOBEY. Five or six weeks.

Mr. JEFFERIS. Had you completed it at the time of the armistice?

Mr. TOBEY. It was completed all except some ballasting, which would have been necessary if you were going through a very severe winter. We were running equipment over it, but it probably would not have stood the burden of a heavy winter if you had much frost without it being properly ballasted.

Mr. JEFFERIS. Do you know what it cost to build that $8\frac{1}{2}$ miles of road?

Mr. TOBEY. I can not tell specifically. It is in our record. Do you remember, Mr. Kinnear?

Mr. KINNEAR. I do not.

Mr. TOBEY. I did not carry various items in my mind, but just totals.

Mr. JEFFERIS. Did your company purchase the materials, or did the Government furnish them?

Mr. TOBEY. Some of it we furnished, some of it the Government furnished. The rail was the so-called Russian rail, rail which was manufactured by the Bethlehem Steel Corporation for the Russian Government, but when difficulties arose in Russia, internal conditions, it was not sent over, but was bought by the United States Government. Some of it was furnished to us and we used it.

Mr. JEFFERIS. It was a single-track road, was it not?

Mr. TOBEY. Single-track railroad. That rail was 63-pound rail.

Mr. JEFFERIS. Where does that connect with the Pennsylvania Road?

Mr. TOBEY. Point Pleasant, Delaware division of the Pennsylvania.

Mr. JEFFERIS. How far is that from Wilmington?

Mr. TOBEY. Our plant was 20 miles and the spur about $8\frac{1}{2}$ miles, 28 $\frac{1}{2}$ miles.

Mr. JEFFERIS. 28 $\frac{1}{2}$ miles?

Mr. TOBEY. It would be from Wilmington, yes; $8\frac{1}{2}$ miles from our works. It runs in the other direction.

Mr. JEFFERIS. It does not start out toward Wilmington and run to your plant, but starts on down somewhere?

Mr. TOBEY. Around Point Pleasant. It is on the other side of our plant from Wilmington.

Mr. JEFFERIS. About $8\frac{1}{2}$ miles south, or where?

Mr. TOBEY. Well, generally speaking, yes.

Mr. JEFFERIS. Is it $8\frac{1}{2}$ miles from where this plant was located directly across to the Pennsylvania Railroad—or is it a shorter distance?

Mr. TOBEY. That was the shortest distance I think we could have used to make that connection. That was all passed on—well, our own engineers made a survey and it was submitted to the Railroad Administration, Transportation Division. There were two or three different routes that could be made, but this was the one that was decided upon.

Mr. JEFFERIS. So that the first work you really did was the building of this railroad, was it?

Mr. TOBEY. Our first work, of course, was to get up our temporary bunk houses.

Mr. JEFFERIS. Did you have to haul your material down there 20 miles?

Mr. TOBEY. Hauled it in from this point of juncture with the Delaware by motor truck until the railroad was completed.

Mr. JEFFERIS. At what point—Point Pleasant?

Mr. TOBEY. Hauled it in from this point of juncture with the Delaware Division. We took some down on the Chesapeake Canal. Some stuff from Philadelphia came down by boat and we took that a matter of $4\frac{1}{2}$ or 5 miles.

Mr. JEFFERIS. When did you start to build the Administration Building down there?

Mr. TOBEY. I should say about the 15th of July.

Mr. JEFFERIS. What did that cost?

Mr. TOBEY. Again I can not tell you what the specific unit cost. I can not answer that.

Mr. JEFFERIS. How many units did you have in the Administration Building?

Mr. TOBEY. Only one Administration Building. When I say units, I mean commissary, power house, the different bunk houses, as we built them.

Mr. JEFFERIS. I was just trying to find out what it cost to build what you did build.

Mr. TOBEY. The total cost of the operation is right here.

Mr. JEFFERIS. That is three and one-half million dollars, is it not?

Mr. TOBEY. Yes, sir.

Mr. JEFFERIS. What I was trying to get at was the cost of the railroad, the separate cost of the Administration Building, and such things.

Mr. TOBEY. I would be guessing on that, because I did not charge my mind with the various items. I have carried it as a whole. Of course, as a matter of fact, I have had no connection with it since the middle of February.

Mr. JEFFERIS. How large an Administration Building was built?

Mr. TOBEY. I should say the Administration Building was about 200 feet by 40 feet—two stories high.

Mr. JEFFERIS. Was that in course of construction before you became general manager?

Mr. TOBEY. It was started; yes. I became general manager about the middle of August—August 20, I think.

Mr. JEFFERIS. They had started that building then, had they?

Mr. TOBEY. Yes; that building had been started.

Mr. JEFFERIS. What kind of a foundation did you have under it?

Mr. TOBEY. Nothing but just a pile foundation.

Mr. JEFFERIS. Was it a frame building?

Mr. TOBEY. Clapboard, novelty clapboarding with a tar-paper roof.

Mr. JEFFERIS. How was it equipped with plumbing, etc.?

Mr. TOBEY. There were toilets in it and running water, and steam heat.

Mr. JEFFERIS. Did you get it furnished with office furniture?

Mr. TOBEY. Yes; simple oak desks.

Mr. JEFFERIS. About when did you get that completed?

Mr. TOBEY. I should say about August 15.

Mr. JEFFERIS. Put it up in a month, did you?

Mr. TOBEY. Yes. I do not know but what in less time than that, Mr. Jefferis.

Mr. JEFFERIS. When did you start to build the commissary?

Mr. TOBEY. We started building the permanent commissary about the 1st of September. We had an old farmhouse on the property and that was used by the Baldwins as a commissary, although it was not adequately equipped at that time, but they used it as a makeshift—that is we had plans for the permanent commissary which were more or less altered.

Mr. JEFFERIS. What did the commissary cost?

Mr. TOBEY. Again I can not answer that question.

Mr. JEFFERIS. How large a commissary building did you have?

Mr. TOBEY. I think it would accommodate 2,100 people, I think.

Mr. JEFFERIS. About what was the size of it?

Mr. TOBEY. It is a regular building—Mr. Allen, what is your judgment about that?

Mr. ALLEN. It is a large building, very large.

Mr. TOBEY. It is the largest one that had been constructed, I think.

Mr. JEFFERIS. How is that?

Mr. TOBEY. It has a seating capacity of 2,100 people.

Mr. JEFFERIS. At one time?

Mr. TOBEY. Mr. Kinnear here has had more experience along such lines than I have. Do you know?

Mr. KINNEAR. I never attempted to carry the dimensions of the commissary in my mind. I do not know that I ever looked it over enough to fix it in my mind. It was called upon to seat 2,100 people at one sitting.

Mr. JEFFERIS. What kind of a building was it?

Mr. TOBEY. Novelty clapboarding with a tar-paper roof.

Mr. JEFFERIS. One story.

Mr. TOBEY. One story most of the space. Some of the refrigerator space and so on was double.

Mr. JEFFERIS. How did you have it equipped with cooking facilities?

Mr. TOBEY. Generally speaking you might say that the Baldwin people would use just about the same equipment that Childs or any of those restaurants would use, with the ranges, warming ovens, and so forth.

Mr. JEFFERIS. Did they put them in at their own expense, or did the Government furnish them?

Mr. TOBEY. The Baldwin contract with the Government provided that the initial installation was a part of the construction enterprise. All replacements, or breakages, or loss by theft had to be taken care of by Baldwin.

Mr. JEFFERIS. But the original installation and everything was to be borne by the Government?

Mr. TOBEY. Yes, sir. Apparently that contract was precisely the same contract they had with the Government at other places.

Mr. JEFFERIS. What else did you build besides the railroad and the administration building and commissary?

Mr. TOBEY. We put considerable work on the dock. We did repair work on the dike.

Mr. JEFFERIS. What did you spend on the docks?

Mr. TOBEY. Again, sir, I can not answer those questions as regards the various items on which money was spent.

Mr. JEFFERIS. What did you do on the dock.

Mr. TOBEY. Ran our spiles down, put in, where necessary, concrete foundations, and made preparations for a dock that was to be 500 feet long extending out into the river, and dredging.

Mr. JEFFERIS. You mean 500 feet out into the river or 500 feet along the river?

Mr. TOBEY. Five hundred feet out into the river.

Mr. JEFFERIS. What was the width of it in the bank?

Mr. TOBEY. The width of the dock itself?

Mr. JEFFERIS. Yes; up and down the bank?

Mr. TOBEY. I should say 60 to 75 feet.

Mr. JEFFERIS. What kinds of vessels were intended to be used there?

Mr. TOBEY. The plan was that the powder would come up from this plant at Perryville, which is on the Delaware River below, and it was hoped that by running out 500 feet we could bring that powder in directly from Perryville without any rehandling and then run it into the magazines and then send it through the loading operations. The dock was also intended to be used to run finished bombs on packed and ready for shipment to be conveyed to ships in the channel.

Mr. JEFFERIS. What size vessels would you have come up to the dock?

Mr. TOBEY. We were dredging for some 20-foot draft. The main channel was about 35 feet. Twenty feet would not take an ocean going steamer, but would take steamers such as were used to bring powder from Perryville to our works.

Mr. JEFFERIS. When did you commence working on the dock?

Mr. TOBEY. About the 1st of July.

Mr. JEFFERIS. And when did you finish?

Mr. TOBEY. When would we have finished?

Mr. JEFFERIS. Yes, or did you finish?

Mr. JEFFERIS. We did not finish it.

Mr. JEFFRIES. You did not get that completed?

Mr. TOBEY. No, sir.

Mr. JEFFERIES. About how long would it have taken you to complete it?

Mr. TOBEY. We would have had the thing complete, I am sure, by the 1st of February. We would have had it ready as soon as it was necessary to use it in any way.

Mr. JEFFERIS. Do you know about what it would have cost in the long run to have completed it?

Mr. TOBEY. I can not answer that.

Mr. JEFFERIS. Do you know about how many men you had employed on it?

Mr. TOBEY. I think the greatest number of men we had there at any one time was about 2,000. How many were working on the dock and how many were working on the railroad and how many were working on the bunk houses I could not say.

Mr. JEFFERIS. Did you construct bunk houses?

Mr. TOBEY. There were construction bunk houses put up of tar paper.

Mr. JEFFERIS. How many?

Mr. TOBEY. About 30.

Mr. JEFFERIS. What size were they?

Mr. TOBEY. I should say they were 60 or 70 feet long by 25 or 30 feet wide.

Mr. JEFFERIS. Do you know what they cost?

Mr. TOBEY. Not per unit; no, sir.

Mr. JEFFERIS. That is, you mean per bunk house?

Mr. TOBEY. How much per bunk house? No.

Mr. JEFFERIS. Did you complete any of the houses?

Mr. TOBEY. No, sir.

Mr. JEFFERIS. Bungalows?

Mr. TOBEY. No, sir.

Mr. JEFFERIS. Where did the officers live down there?

Mr. TOBEY. The Government officers lived at a place known as St. Augustine Beach. That was a resort about 5 miles from our plant on the Delaware River. It was more or less of a dance-hall resort. There was a road house there, I think, that was rented and used almost exclusively by Government officers. The construction division officers were housed there. They ran their own commissary and ran that place.

Mr. JEFFERIS. About how many officers were up there for the Government?

Mr. TOBEY. I should say that the construction division probably had there as officers 12 to 15. Of course, they had a large force of Government checkers, auditors, clerks, and so forth.

Mr. JEFFERIS. They lived there too?

Mr. TOBEY. They lived there almost all of them. I think all the heads of departments and what we called the staff officers lived there.

Mr. JEFFERIS. How long did they live up there?

Mr. TOBEY. The construction division came in there about the 1st of September. Prior to that time our contract had been conducted by the Ordnance Department. When the construction division came in they took charge of the same St. Augustine property, and they were there until they left the job. Maj. Grey was contracting officer. He was there when I left about the middle of March. Since then he has got out. Just when I do not know.

Mr. JEFFERIS. About how much did you spend for real estate there altogether?

Mr. TOBEY. \$70,200, I should say.

Mr. JEFFERIS. You bought it, did you?

Mr. TOBEY. Yes, sir. But there were two parcels. There was \$70,000 spent by us for the purchase of about 650 acres of land, including all expenses, payment of taxes, and everything. Then the Government bought what was called the Eight-Jones tract, which consisted of about 200 acres, at a cost of \$22,000; and they commandeered the railroad right of way, $8\frac{1}{2}$ miles long by 66 feet wide, at a cost of between \$30,000 and \$35,000. The owners have not yet received their money.

Mr. JEFFERIS. About when did the Government commandeer the railroad right of way?

Mr. TOBEY. About the 1st of August, because we began our operation of building the railroad the date after the petition was filed

in the Federal court under the commandeering act, which was passed in May, 1918.

Mr. JEFFERIS. Did you understand that you were to build the railroad when you took this contract?

Mr. TOBEY. We knew we had to have some means of transportation there, we knew we had to have a railroad. Just what route would be selected was very largely, as it turned out, intrusted to the discretion of the regional railway directors and the Federal Administration system. We could not do anything without their consent.

Mr. JEFFERIS. What else were you going to complete there besides this, commissary department and your docks and your railroads?

Mr. TOBEY. Our railroad was completed, the dock would have been completed. Then you would have needed your operating units, that is your loading plant.

Mr. JEFFERIS. You had not commenced to build those yet?

Mr. TOBEY. No, sir; because the plans were not approved until November 5 and the armistice came on November 11.

Mr. JEFFERIS. How many loading plants were you going to build?

Mr. TOBEY. My recollection is there were about 20 buildings provided for in the final plans which might be called the loading units proper. Then, removed about 4 miles from the loading operations were the magazines for storage of the ingredients. They were supposed to be of a capacity sufficient to store 2,000,000 pounds. Then, of course, we would have had to have a power house, and we would have had to have our magazines in which to store the finished product.

Mr. JEFFERIS. Then you would have had a great deal of building to do?

Mr. TOBEY. We would have had probably 40 buildings, would we not, Mr. Kinnear?

Mr. KINNEAR. I think more than that. I think we would have had in the neighborhood of a hundred buildings.

Mr. TOBEY. You mean all kinds of construction?

Mr. KINNEAR. Yes.

Mr. JEFFERIS. Were you contemplating building some houses too?

Mr. TOBEY. We would have had to taken care of the housing problem and I personally saw the Welfare Department of the Ordnance Division down here on that. Just how many houses would be required we could not say until we knew what the plant design was going to be because on that depended how many operatives you had, how much machinery you used. All that had been a subject of conjecture, when the so-called Eidlitz Board, the housing board, received instructions to take that problem entirely out of our hands and proceed with the construction of houses. They sent representatives up there possibly three or four different times—I do not recall just how many times. They went all over the grounds and apparently finally determined upon a site about 7 miles from the works.

Mr. JEFFERIS. Do you know how much you expended or the Government paid for plans and specifications that you got up?

Mr. TOBEY. No; that would be very difficult to ascertain unless you take the purchases and go through them. That is all included as part of our costs. I can not answer that.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, have you any questions?

Mr. GARRETT. Yes. As I understand, Mr. Tobey, this contract, which was put in formal words or in writing May 22, embodied what had been the verbal agreements?

Mr. TOBEY. It did, sir; yes, sir.

Mr. GARRETT. You personally know nothing of the negotiations that took place prior to your connection with the company?

Mr. TOBEY. I do not, sir, except by way of office gossip and general talk about it.

Mr. GARRETT. You spoke of your company agreeing to pay the fee of the Ley Co. and that the Government would have been liable for it. Under what theory do you think the Government would have been liable for that $3\frac{1}{2}$ per cent?

Mr. TOBEY. Because they entered into a contract with us May 22 and were conversant at that time with our idea of subletting the construction part, which was only a small part of the total contract, to the Ley Co. and had approved it. The contract between the Ley Co. and the Marlin-Hockwell Loading Co., which at that time was acting as agent for the Government, intrusted that construction to the Ley Co. and the Government approved the Ley contract. The Ley contract was a percentage contract. They approved it and the effect of the Ley contract was a part of the cost of the construction which the agent must pay, and the agent was to receive 10 per cent of its cost. The Government did pay the Ley fee and our own up to the time that we assumed it, and at that time, having consumed it, we reimbursed the Government for the amounts they theretofore had paid to the Ley Co. By their own course of conduct they recognized the correctness of that principle.

Mr. GARRETT. When you came to adjust that were you present at the discussions had by the officers of the Government on that question?

Mr. TOBEY. In our suit in the Ley fee I acted for the Marlin-Rockwell Corporation.

Mr. KINNEAR. Loading Co.

Mr. TOBEY. What?

Mr. KINNEAR. You said Loading Corporation. You should have said Loading Co.

Mr. TOBEY. Pardon me. What I meant was Loading Co.

Mr. GARRETT. Was it not contemplated in the minds of all that this 10 per cent that was allowed in the contract of May 22 should be the complete fee for construction?

Mr. TOBEY. I do not think that it could have been, Mr. Garrett, because the contract to the Ley Co. and the contract to the Loading Co. as such contracts individually both were approved.

Mr. GARRETT. Of course, but did the Government approval extend further than simply giving its consent to your company to enter into such contract with the Ley Co.?

Mr. TOBEY. They not only gave their consent, but they approved the words and figures of that contract which, I assert, was submitted to them; and the contract itself was indorsed by the Government, the Ley contract.

Mr. GARRETT. If the Government was liable for and had paid this $3\frac{1}{2}$ per cent to the Ley Co. what would the Loading Co. have done for its 10 per cent, what service would it have rendered to the Government for its 10 per cent?

Mr. TOBEY. Of course, there are two very distinct parts of the obligation of the loading company under that contract. One was for the construction and the far greater one was for operation of plants.

Mr. GARRETT. This Ley fee was simply for construction alone?

Mr. TOBEY. Entirely for construction. The contract was limited to the—

Mr. GARRETT (interposing). And the contract of May 22 allowed but 10 per cent for construction.

Mr. TOBEY. No; it was for construction and operation.

Mr. GARRETT. Construction and operation.

Mr. TOBEY. Yes, sir.

Mr. GARRETT. Were there not two clauses about that?

Mr. TOBEY. The contract itself may have stated, I think, that all operations—it was not to be less than 10 per cent and might be 15. There was a clause in the loading contract whereby after a certain time of operation the basic cost was to be determined and the fee was to be adjusted at some place between 10 and 15 per cent, not less than 10.

Mr. GARRETT. Of course, you were to get a fee of 10 per cent on the operating cost. Here is what Maj. Foster states about it: "In addition the agent is paid 10 per cent on the operating costs until one-quarter of the specified number of bombs have been loaded and until such time thereafter as the Government may arrive at the actual unit cost of loading the different sizes and types. After the 'base costs' are fixed, the agent gets in addition to its 10 per cent, half the difference between those base costs and the actual cost; that is, so long as its total profit does not exceed 15 per cent." That is solely the operation?

Mr. TOBEY. It is.

Mr. GARRETT. There is another division of the contract which allowed the loading company 10 per cent for construction?

Mr. TOBEY. Yes, sir.

Mr. GARRETT. Now, my question is that if the Government had paid this 3½ per cent and had not been reimbursed by your company, what service would the loading company have rendered for the 10 per cent allowed?

Mr. TOBEY. They had their engineering forces on designing—they very largely designed it and the general supervision of it.

Mr. GARRETT. The general supervision—was not that turned over absolutely to the Ley Co.?

Mr. TOBEY. No, sir; I do not think so—oh, no. They acted as construction contractors and the obligation was upon the loading company to furnish plans. We had our own designing staff. When necessary that was supplemented by the Ley staff, but the responsibility rested upon the loading company to transmit to the Government its recommended designs for the construction of this plant; and I always maintained that it was obligated under its contract to do the construction. I went to Mr. Rockwell and Mr. Park and said: "From my examination of the situation there I believe that although the Government has approved these contracts and has paid the fee, the Government should pay only one." I asked their permission and it was given, and I went down to Washington and voluntarily asked to pay the fee.

Mr. GARRETT. How much of the claim filed by the loading company is in controversy?

Mr. TOBEY. Substantially none, except one or two items. As an illustration, there is one item, we will say, of the electric machinery. The question there is whether we ordered that or the Government ordered it. There are certain very minor questions as to what is the cost of construction under the terms of the contract. The only other unpaid item—I think I am correct in this—is the balance of the fee. No fees have been paid to us since October 1, which means that practically very little fee has been paid to us, because most of the bills were paid after October 1.

Mr. GARRETT. Has the Ley Co. been settled with fully—is that contract settled, or is it dependent upon yours?

Mr. TOBEY. It depends upon our getting the fee from the Government. We have got to settle with the Ley Co.

Mr. GARRETT. In dollars, about what is the amount in controversy?

Mr. TOBEY. Mr. Allen can answer that. Mr. Allen, how much is in your prime claim?

Mr. ALLEN. We have a prime claim of \$526,000, but nearly \$200,000 of that is a question of who pays it, whether we requisitioned it or the Government, and whether we get a fee on it or not.

Mr. TOBEY. I am correct in saying, am I not, that if you say three and one-half millions, in round numbers, is the total cost of the project, everything is included in that total?

Mr. ALLEN. Yes, sir; including the fee.

Mr. TOBEY. Including the fee; yes.

Mr. ALLEN. Our part was stopped on January 22, instead of October 1.

Mr. TOBEY. Pardon me, that was another thing; stopped October 1, that is right.

Mr. GARRETT. What is Cornell equipment?

Mr. TOBEY. Cornell equipment was electrical power-house equipment that was obtained from the Cornell Engineering Co., or, at least, Cornell Contracting Co.

Mr. GARRETT. And that is one of the items about which there is a dispute as to whether you ordered it or the Government ordered it?

Mr. TOBEY. Yes.

Mr. GARRETT. Whether it should be included in this enterprise or not, it having been diverted to the Frankford Arsenal.

Mr. TOBEY. After it was sent to us.

Mr. GARRETT. I would like to know whether the question with regard to the Cornell equipment is the fee on it or the cost of the material?

Mr. TOBEY. That is very largely a question. We maintain that all and every item that went into the cost of construction of this enterprise is a part of the construction end, which, upon delivery, fee attaches under the terms of our contract; and if, as in this case, we designed the machinery, etc., if it came there as a result of our request as part of that enterprise, our fee attaches. If thereafter, the salvage board of the Government wants to divert it to some other place, as it could, it would make no difference, because under the terms of the contract the moment that anything comes in there ordered by the agent the legal title of that vests in the contractor. The Government can do with it as it will.

Mr. GARRETT. When did this equipment reach there?

Mr. TOBEY. It came in piecemeal, I should say probably up till about October 20, up to the time of the signing of the armistice and some after that.

Mr. GRAHAM. There is \$24,000 involved in that.

Mr. TOBEY. Is that the value of the equipment?

Mr. GRAHAM. No; the fee.

Mr. GARRETT. I see; the value of the equipment is \$249,000.

Mr. ALLEN. We are only claiming a fee of 10 per cent.

Mr. GRAHAM. That would be about \$25,000.

Mr. TOBEY. I might say in passing that that contract has been construed by the legal divisions of the Government, and also by our own attorneys, that we have the right under that contract to make contracts in the name and on behalf of the United States Government, and we could do that imprudently if we so wished, and the only redress the Government had was to cancel the contract. I want to say, Mr. Graham, that there was not an expense in which a single penny was involved that did not receive prior consent of the United States officer, or construction officers, I mean.

Mr. GRAHAM. You spoke a while ago of being an officer. You did not mean an officer of the War Department, did you?

Mr. TOBEY. No; an executive officer of the loading company. On the question of our desire to construct that work in the most orderly fashion, I would like to read a letter—

Mr. GRAHAM. Is that about machinery?

Mr. TOBEY. Yes; loading machinery and our endeavors to proceed economically.

Mr. GRAHAM. It is not, then, a letter written by your company to the department?

Mr. TOBEY. To the department—yes; one part of it is to the department. This is loading machinery amounting to about between \$150,000 and \$175,000; was ordered immediately upon the approval of our final plans and previous to the coming of the armistice. Very soon thereafter we endeavored to find out on what basis those contracts could be canceled, purely because the loading machinery was special and had no salvage value. We got a telegram from the office of the Chief of Ordnance to the effect that it was stated in Washington that our company was indiscriminately canceling orders and it was greatly disturbing the labor and material market, and instructed us to cease at once. So we sent out letters to disregard our telegrams, the effect of which was to place the order on its original status of a rush order. We thereafter got a letter or a telegram from the office of the Chief of Ordnance stating that it was recorded and stated in Washington that we were putting all of our previous contracts on a rush-order basis so that the goods would get there, so to speak, and our fee would attach before any cancellation was possible. We acknowledged receipt of that. Then, on November 27, I sent this letter to Douglas I. McKay:

NOVEMBER 27, 1918.

DOUGLAS I. MCKAY,

Colonel, Ordnance Department. Production Division,
7th and B Streets, NW., Washington, D. C.

In re contract United States Government, Marlin-Rockwell Loading Co., No. P3542 and 231Tu.

Some time past, acting upon the authority of your department, we placed orders for the construction of machinery for the loading of aerial bombs called for by the above contract, with the American Laundry Machinery Co., American Progress Co. (and several other companies that I will not read).

The construction of this machinery is now under way. The total expense is a considerable item and the machinery is of such a nature as to have little salvage value by utilizing it for other purposes in case there should be a cancellation of this contract and no further need for the machinery for its original purposes.

We have been informed by the Ordnance Department that it is not their wish that there be by us or by any contractor indiscriminate cancellations of orders, lest it result in preventing an orderly and economic readjustment of the material and labor markets.

Nevertheless, we feel bounden, as agent for the Government, to inform you of the situation and ask your instructions as to canceling these orders and preventing what, in our judgment, might be an unnecessary expense to be borne by the Government, a course which we desire to pursue in every case where a saving could thereby be effected.

Despite our instructions not to cancel without express authority, we have taken the liberty of writing to the manufacturers of this machinery to ascertain what would be the proper and most economic basis to affect a cancellation, if such wish for cancellation is expressed to us by the Government.

Trusting that the matter may have your attention and that we may be advised precisely of the wishes of the Government in the matter, we are,

Yours, respectfully,

MARLIN-ROCKWELL LOADING CO.

On November 27 I sent notice to Fred K. Ley, reading as follows:

NOVEMBER 27, 1918.

FRED K. LEY & Co. (Inc.),
Rockwell Park, Mount Pleasant, Del.

GENTLEMEN: Will you please address to the American Laundry Machinery Co., 134 West Thirty-seventh Street, New York City; the American Process Co., 68 William Street (and others which I will not read).

DEAR SIR: Heretofore on the _____ day of _____ we purchased through you the machinery of the following brief description:

* * * * *

In our opinion, there is considerable likelihood that our contract with the Government will be brought to a speedy close as a result of the signing of the armistice, although we have not been advised to that effect. Until so advised, we have been instructed by the Government to cancel no orders without express authority, which in this case has not been received by us.

None the less, with a view of effecting cancellation of the orders with the least possible expense and annoyance either to the Government, to you, or to ourselves, we are writing to inquire if you will advise us what the present status of this order is and upon what terms it might be canceled. In our opinion the changed situation makes any particular attempt to speed delivery unnecessary for the moment.

Again we desire to state that, acting under Government orders, this is in no wise to be deemed as a cancellation of the order.

Of course, in the light of the advice we have received from the Government, we do not wish to effect a cancellation, but it would seem to us that business prudence would dictate getting all these contracts, particularly those for special machinery into such shapes as would permit as economic cancellation as possible.

Will you please advise us that you have followed these instructions?

Yours, truly,

Col. McKay, under date of November 29, wrote as follows:

Answering your letter of November 27, 1918, on the above subject, I wish to advise the matter has been referred to the Philadelphia district office for their information and action.

I do not conceive that that is the claim board. I think that that is the ordnance district board. That was on November 29. I re-

ceived no answer to it. On December 19 I wrote to the Philadelphia District Board as follows:

On November 27, acting upon our instructions, Fred Ley & Co. (Inc.), sub-contractors, addressed to the American Laundry Machinery Co. (and others which I will not read), and to each of them, an identical letter, the copy of which is attached herewith and marked "Exhibit 1."

On the same date a letter was addressed to Douglas H. McKay, colonel, Ordnance Department, Sixth and D Streets, Washington, D. C., of which letter a copy is attached and marked "Exhibit 2."

In response to said letters to Col. McKay I received a letter under date of November 29 from W. E. Harkness, major in the Ordnance Department, acting in behalf of J. H. Burns, colonel and Chief of Explosives and Loading Division, Ordnance Department, a copy of which is hereto attached and marked "Exhibit 3."

In response to the letter marked "Exhibit 1," we have received a letter from the American Laundry Machinery Co. under date of December 9, 1918, a letter from the F. J. Stokes (and these others).

It will be observed that the letter of Maj. Harkness herein above referred to as "Exhibit 3" states that our letter of November 27 was referred to the Philadelphia district office for their information and attention.

We have not as yet received any instructions from you in regard thereto. The previous instructions from the Ordnance Department are of such a nature that we do not at present feel authorized or justified in directing a cancellation of the above-mentioned orders for loading machinery which, to the best of our recollection, but subject to correction, represents a money cost of approximately \$150,000. But appreciating that this machinery is of a special nature and possessing no great salvage value, we feel it is our duty again to call to your attention the possible saving that would be effected by a cancellation of the orders even at this late hour. The letters from the manufacturers indicate that the salvage would not be great. None the less, any possible saving in our judgment should not be overlooked and we therefore respectfully request your instructions.

For your information I might add with possibly minor exceptions the machinery called for by the above-mentioned orders is all that has been ordered by us for the Ordnance Department under our contract, the other orders being partly for construction materials, and such orders were placed by direction and under the supervision of the construction division.

We received an answer to that letter on or about January 25, at which time the loading machinery ordered had been completed. In bringing that up, gentlemen, I am not criticizing, but I think it should be mentioned in view of the fact we have been accused of extravagance, to show that that has not been the way we have conducted that operation.

Mr. GARRETT. Did this company under the terms of its contract have the right to order material in its own name, and did it do so?

Mr. TOBEY. It ordered sometimes in its own name as a matter of practical convenience or to expedite it.

Mr. GARRETT. I understand that. I just asked it because of your letters.

Mr. TOBEY. This particular machinery was ordered July 8. We ordered some before that.

Mr. GARRETT. How long have you known Maj. Foster?

Mr. TOBEY. I never met Maj. Foster until the 29th.

Mr. GARRETT. You never met him except on the occasion that he visited the plant there?

Mr. TOBEY. Never.

Mr. GARRETT. How old a man does he appear to be?

Mr. TOBEY. That is rather difficult to say. I should say possibly from 45 to 50.

Mr. GARRETT. Do you know whether he is a Regular Army officer or not?

Mr. TOBEY. I think not, because he conducts this farm in the Berkshires.

Mr. GARRETT. Do you know whether or not he is still in the service?

Mr. TOBEY. I think not, because if I am not mistaken I saw him in New York the other day in civilian clothes.

Mr. JEFFERIS. Mr. Tobey, in support of Maj. Foster's, it says that the whole of the Ley Co.'s engineer force was placed on the Loading Co.'s pay roll. Is that true?

Mr. TOBEY. Yes; we had some engineers and we took them, borrowed them, so to speak, from Ley and retained them, so they would be directly under our supervision.

Mr. JEFFERIS. And you would get 10 per cent on the pay roll?

Mr. TOBEY. It would not have made any difference, because if they had been on the Ley pay roll there would have been 10 per cent paid anyway.

Mr. JEFFERIS. Not if we are paying the whole Ley commission, as I understand it.

Mr. TOBEY. I see what you mean. I thought a particular case. When we borrowed those men we agreed that if their salaries had been a part of the cost of the Ley Co. upon which their fee would attach, we would pay that irrespective of whether the men were on their pay roll or ours. The Government paid 10 per cent. It made no matter to whom they paid it. They paid it to the Marlin-Rockwell Loading Co., Whether it was Ley Co. operatives or Marlin-Rockwell operatives it made no difference.

Mr. JEFFERIS. If the Marlin-Rockwell Loading Co. was paying 3½ per cent, they would have to pay it on the salaries of those men if they were on the Ley Co. pay roll?

Mr. TOBEY. Yes.

Mr. JEFFERIS. But if they took their men over and paid them on the Marlin-Rockwell Loading Co.'s pay roll, then, of course, the Government would pay it.

Mr. TOBEY. No; the Government paid it anyway.

Mr. JEFFERIS. It would pay it then.

Mr. TOBEY. Whether they were on the Ley pay roll or on ours.

Mr. JEFFERIS. Not if the Ley Co. was paying 3½ per cent in the first instance.

Mr. GARRETT. They were receiving that.

Mr. TOBEY. They were receiving that.

Mr. JEFFERIS. They were receiving it and paying its men. I mean that.

Mr. TOBEY. No; that was profit. The 10 per cent was the profit of the agent, and from that 10 per cent the agent assumed to pay the subcontractor any profit that its contract calls for.

Mr. JEFFERIS. In commission?

Mr. TOBEY. In commission. The profit was by way of commission.

Mr. JEFFERIS. So you figure it did not make any difference whether the Ley Co.'s engineers were on their pay roll or on your pay roll?

Mr. TOBEY. So far as the Government was concerned, absolutely not.

Mr. JEFFERIS. That was true, after this change was made as well as before?

Mr. TOBEY. Yes, sir. Well, I suppose there were separate fees both paid by the Government. No, I do not think it would have made any difference. We felt that our obligation was to the Government to put in plans that would be satisfactory to them and fulfill our duty as an agent. Now, it seemed to us it was better to supplement our own engineering staff and do more of the work ourselves than to have it done by the Ley Co. in the first instance and checked by us; and it was difficult to get engineers at that time; they were in great demand, so we simply went to the Ley Co., explained the situation to them and, so to speak, borrowed their men, put them on our pay roll and under our direct supervision; but realizing the possible injustice to the Ley Co., we said that any fee that would have attached to the salaries of those men we would pay, whether we paid them as part of our pay roll or not.

Mr. JEFFERIS. You do not know how much was paid out for salaries of engineers, do you?

Mr. TOBEY. No, sir; I can not answer that.

Mr. GRAHAM. Mr. Tobey, I guess that is all unless you gentlemen have some more testimony you wish to give us.

Mr. TOBEY. I presume I have tried the committee so much this afternoon that they are about to quit for the day.

Mr. GRAHAM. I, for myself, would like to know something about the dimensions of those buildings; how large they are, how much they cost, and the like.

Mr. KINNAR. What they cost by units?

Mr. GRAHAM. Can you go into that with us?

Mr. KINNAR. I can not go into it off-hand.

Mr. GRAHAM. Can you estimate them?

Mr. KINNAR. I can not. I do not know the dimensions.

Mr. GRAHAM. Do you not know how large they are?

Mr. KINNAR. No, sir. We could get the construction plans which might show that. The buildings that were built were temporary buildings.

Mr. JEFFERIS. Do you know anything about the cost of them?

Mr. KINNAR. I am inclined to think the costs were not charged separately for the different sections. They were all put up under rush orders of the Government. The project was for so much and I do not believe any distribution was made as between the cost of the bunk houses and cost of the dormitories and cost of the commissary.

Mr. GRAHAM. You do not think a person could tell about that without the papers?

Mr. KINNEAR. I am inclined to think so, sir.

Mr. TOBEY. I think the Ordnance Department were in supervision and had their distribution of costs. When the construction department assumed jurisdiction they took over the primary construction cost; they paid directly all of the bills. They had an altogether different distribution of costs, but our records merely carry the lump figure.

Mr. GRAHAM. Can anybody tell us?

Mr. TOBEY. The Construction Division record should tell us

Mr. GRAHAM. Can anybody tell us how much was paid for buildings, how much was paid or owed for labor, how much for fees, and so on, so we can get it? What does that statement give there—the lump sum?

Mr. TOBEY. That gives lump sum on the cost of the operation.

Mr. KINNEAR. Being the invoices and pay rolls.

Mr. GRAHAM. No; I do not care about that. I would like to know how much you paid for buildings, how much for labor, and so on. You spent three and a half million dollars. I would like to know what it was spent for.

Mr. KINNEAR. I think you might get it, approximately, from Maj. Gray's record.

Mr. GRAHAM. You have nothing there but a few buildings, some railroad, and a piece of a dock, and 800 acres of land.

Mr. TOBEY. And quite a lot of equipment; I do not know how much; approximately a million dollars' worth of equipment.

Mr. ALLEN. The power-house equipment alone amounts to \$248,000.

Mr. GRAHAM. They took that away, did they not?

Mr. TOBEY. We are showing it as allotted there on our prime claims because it has not been settled by anybody.

Mr. GRAHAM. And \$249,000 worth of Cornell equipment.

Mr. TOBEY. Power-house equipment.

Mr. GRAHAM. That has been taken to one of the arsenals.

Mr. GARRETT. To the Frankford Arsenal.

Mr. GRAHAM. And then there is \$55,000 in power-plant machinery besides, as I remember looking at the plans, so I have a curiosity to know what the Government got for what it spent out there in the way of tangible property.

Mr. TOBEY. I think, Mr. Graham, the cost-making branch of the Ordnance Department were the only people who had access to construction records. We asked the construction division to give us access for the distribution of accounts, and they might be able to give you a good deal more detail than we could.

Mr. GRAHAM. Were you not the engineer?

Mr. TOBEY. What did you say?

Mr. GRAHAM. Were you not chief engineer of the plant?

Mr. TOBEY. No; I was the treasurer of the Marlin-Rockwell Loading Co.

Mr. GRAHAM. Who was the engineer?

Mr. KINNEAR. At the time the construction was going on Mr. Morris was chief engineer. When I came on, you see, there was an im-

mense amount of this material bought by the construction division of which we have no record.

Mr. GRAHAM. Mr. Kinnear, do you not know, as engineer—were you not on the ground so you could see the buildings?

Mr. KINNEAR. Oh, yes; but I came there shortly before the signing of the armistice.

Mr. GRAHAM. Do you not know what buildings were there, and of what type they were?

Mr. KINNEAR. I had a general idea, but I did not make a survey of the plant with such particularity as to remember all those little details. We have some records, but I think they are with the construction records that were turned over to the construction division.

Mr. GRAHAM. I would like to know what buildings are there. I think you better state for the record, if you will, what buildings are on the grounds and how large they are, approximately.

Mr. KINNEAR. We would have to search our records and plans and visit the site to see just what remains there at the present time.

Mr. GRAHAM. But you knew what was there?

Mr. GRAHAM. Do you know what was there when you left there?

Mr. KINNEAR. No, sir; I don't.

Mr. GRAHAM. Didn't you pay any attention to it?

Mr. KINNEAR. No, sir.

Mr. GRAHAM. I don't understand why you, as an engineer on the plant, can't tell us how many buildings are on that ground.

Mr. KINNEAR. Because I do not recall the exact number. I would have to go over the plans and check them off and refresh my recollection. I never counted the bunk houses or the dormitories erected on the property.

Mr. GRAHAM. Do you know how big the bunk houses were?

Mr. KINNEAR. To accommodate about 60 men.

Mr. GRAHAM. How long were they, and how broad?

Mr. KINNEAR. I do not carry that in my mind. I was only there. Mr. Chairman—I became connected with the project only about four or five days before the signing of the armistice.

Mr. GRAHAM. Did you remain there some considerable time after the armistice?

Mr. KINNEAR. Off and on; I was not there all the time; every week probably a couple of days.

Mr. GRAHAM. Your office was at Wilmington, was it, principally?

Mr. KINNEAR. Yes, sir.

Mr. GRAHAM. Did you have any waterworks system out there?

Mr. KINNEAR. The system was projected and some work has been done on it, but it was not completed. We have a complete history of the project prepared subsequent to the termination of the contract which was handed to the commanding officer of the post and by him turned over to the claims board in Philadelphia.

Mr. TOBY. Was it turned over to the claims board or the Ordnance Board?

Mr. KINNEAR. The chief of that district of the ordnance.

Mr. GRAHAM. Is this statement that is here a correct statement?

Mr. TOBY. That was a statement prepared by our auditor, yesterday; I think, Mr. Chairman, it is correct. I have been out of touch with it for some time.

Mr. GRAHAM. If it is correct, I think it may go into the record for what it shows.

Mr. KINNEAR. It is correct so far as I know.

(The statement referred to is as follows:)

Cost of project, Marlin-Rockwell Loading Co.

Expended:

Ordnance Department disbursements-----	\$1, 005, 055. 57	
Ordnance Department fee -----	37, 909. 72	\$1, 042, 965. 29
Construction Division disbursements-----	1, 960, 967. 61	
Construction Division fee-----	106, 439. 27	2, 067, 406. 88

Outstanding—

Form 10, claim, executive salaries-----	27, 707. 58
Interest-----	219. 78
Damage claims, material claims, contractors' refundments, Cornell equipment, freight and demurrage, rails and fittings-----	294, 557. 19
Fees due agent -----	204, 232. 94

Agent's claim----- 526, 717. 49

Accounts paid by Washington—

Freight-----	257, 478. 20
Rail-----	68, 000. 00
Condemnation of railroad right of way--	33, 000. 00
Abe Jones land-----	22, 000. 00
Demurrage-----	8, 663. 00

389, 141. 20

Cost----- 4, 026, 230. 86

Credits that will apply:

Rail and fittings-----	32, 500. 00
Do-----	57, 099. 85
Cornell equipment-----	249, 085. 00
Transfer to other camps-----	45, 987. 00
Power-house equipment-----	55, 000. 00

439, 671. 85

Final cost----- 3, 586, 559. 01

Capt. J. C. Jones's figures----- 3, 585, 670. 59

Mr. JEFFERIS. Mr. Toby, this contract was entered into on May 22 for this Barlow bomb, was it; that is what you were going to make, wasn't it?

Mr. TOBEY. Among other things—we were not going to make anything; we were going to load bombs marked 1 to 6. There are many kinds of bombs; the Barlow bomb was known as a fragmentation bomb; it explodes about 6 feet above the ground and was used against troops. It was not the demolition bomb, where you wanted to destroy buildings and not necessarily human life.

Mr. GARRETT. I want to call your attention that this morning you described that Barlow bomb as a demolition bomb.

Mr. TOBEY. Thank you; I want to change that then, if I did. The Barlow bomb is a fragmentation bomb.

Mr. JEFFERIS. Does this contract call for the loading of 6 bombs?

Mr. TOBEY. No; the 6 contracts are six different sizes. The Barlow bomb is a fragmentation bomb; it is dropped on the ground; and the other is a demolition bomb; these demolition bombs are six different sizes, marked 1 to 6.

Mr. JEFFERIS. Why did they want to go on with this contract after they decided in June, 1918, not to have anything more to do with the Barlow bomb?

Mr. TOBEY. Because the Barlow bomb was only one of the bombs to be loaded. For the Barlow bombs they intended to substitute the Cooper bomb, which was a British product. It was cheaper and probably production could be more promptly obtained and probably was not of such delicate mechanism. I am not enough of an expert to know which was the better, but those are the reasons assigned.

Mr. JEFFERIS. You wouldn't know any of those bombs apart, would you, unless some one told you?

Mr. TOBEY. Oh, yes; I think so.

Mr. JEFFERIS. Were they manufacturing any of those bombs anywhere else in the United States, or loading them?

Mr. TOBEY. Not loading them, I think; and I think this was the only contract for the loading of aerial bombs that was made.

Mr. JEFFERIS. Do you think they were making any in the United States?

Mr. TOBEY. They were making some in some factory in Wisconsin, I understood, and there were a number made in the Marlin-Rockwell in the Philadelphia corporation.

Mr. JEFFERIS. Were they loaded?

Mr. TOBEY. None of them were loaded because the loading was confined to this operation, and this was not completed.

Mr. JEFFERIS. So we never got to using any bombs, then, on the troops?

Mr. TOBEY. To my knowledge no bombs of the aerial bombs used on aeroplanes, manufactured in America, were used, so far as my knowledge extends. I think that is correct.

Mr. JEFFERIS. Had your plans as you finally got them finished or agreed upon on November 5 been perfected for loading bombs or not or just building the plant?

Mr. TOBEY. Well, the building of the plant contemplated by that approval—what was approved was the various units necessary to try out the loading program.

Mr. JEFFERIS. Well, it would be just the plant then?

Mr. TOBEY. It would be the plant and the machinery in it—

Mr. JEFFERIS (interposing). Had you got to definitely decide what machinery you would use for this loading or not?

Mr. TOBEY. Yes; and that was the machinery ordered from the American Laundry Co. and the others I have mentioned.

Mr. JEFFERIS. That was supposed to be loading machinery?

Mr. TOBEY. That was supposed to be loading machinery.

Mr. JEFFERIS. Had it ever been tested out or used for that purpose, or not?

Mr. TOBEY. Well, the designs for that loading machinery were very largely gathered from two experts in the Ordnance Department, officers in the British Army, who had had experience in loading the Cooper and other bombs in England. They came over here, and our engineers and the engineers of the American Laundry Co. all got together, and the experts from England and the experts here decided what kind of machinery was needed, and this machinery was designed and the orders were placed. It was not a very difficult proposition. Briefly, it was a plunger, just the reverse action of an auger;

the powder was forced into this until it was filled, and then the device was withdrawn. It came on a carriage and then the plunger would go in, and when it was filled the plunger would be withdrawn.

Mr. JEFFERIS. And you think they had it fairly devised by November 5—this machinery?

Mr. TOBEY. By November 5?

Mr. JEFFERIS. Yes, sir.

Mr. TOBEY. Yes; very shortly after that the machinery contracts were let.

Mr. JEFFERIS. So that you view the whole situation from January 1 to November 5, they had succeeded in arriving at what sort of machinery and what kind of machinery they wanted?

Mr. TOBEY. That is about it; yes.

Mr. GRAHAM. We probably have a good line of Barlow bombs around some place, don't we, that we have not used?

Mr. TOBEY. Well, I don't know just how many were manufactured in Philadelphia, and I don't know how many were manufactured in Wisconsin. We never got any of them, but I understood there had been an order for the manufacture of bombs in Wisconsin some place. We naturally would not get them. We had samples, but naturally would not get them until we had our plant done.

Mr. GRAHAM. Were they very expensive to make?

Mr. TOBEY. I don't know how expensive they were to make; I have no knowledge of that?

Mr. GRAHAM. But you do know there were a good many of them made; and I thought I heard you say none of them had been used?

Mr. TOBEY. I say, so far as I know, no bombs made in America were used by our Army or any army, because I have always been told that ours was the only aerial-bomb loading plant in America; so I reached that conclusion.

Mr. JEFFERIS. Do you feel that if these plans had been perfected by the Ordnance Department earlier in the year that you could have completed this plant early and got it into operation?

Mr. TOBEY. Partial operation, yes; and I base that on the estimates of people that are more familiar with that actual construction than I am. Mr. Kinnear has told me—and he has had a vast amount of experience in engineering—that he hasn't any doubt that every contract obligation would have been met if we had got our designs. Do you substantiate that, Mr. Kinnear?

Mr. KINNEAR. I do.

Mr. GRAHAM. Do you know whether there was any material on the road to the plant at the time of the signing of the armistice?

Mr. TOBY. Yes; there was a large quantity.

Mr. GRAHAM. What sort of material?

Mr. TOBY. Why, lumber, and tile pipe, and brick, and all kinds of construction material.

Mr. GRAHAM. Can you make an estimate of its value and amount?

Mr. TOBY. Well, I should say that it was considerably in excess of \$500,000.

Mr. GRAHAM. And how many carloads of it?

Mr. TOBY. Over 500 carloads of it were received after the armistice.

Mr. GRAHAM. What was done with it?

Mr. TOBY. Well, it was received there, and, of course, immediately upon the cancellation of the contract the custody of all that material

passed to the salvage department of the district claims board; they had authority to remove it as they saw fit, and some of it, I understand, has been removed.

Mr. GRAHAM. Well, did it lie there on the ground?

Mr. TOBY. No; immediately upon the cancellation of the contract all the force we had were put to putting it under cover and taking the best possible care of it. Bricks were put in neat piles and some of the other material was put in the storage houses. Tile, and such material as would not deteriorate or could stand the weather was left to stand out, but the rest was stored as far as possible with our storage facilities.

Mr. GRAHAM. Do you know what has become of that stuff?

Mr. TOBY. I do not, Mr. Chairman, because it is moving all the time. It might be moved from that point to some other point.

Mr. GRAHAM. Was it there the last time you saw it?

Mr. TOBY. A good deal of it was, but I have not been down there much since the first of the year. It was taken out of our jurisdiction after the cancellation of our contract, and my attention was devoted to cleaning the thing up as expeditiously as possible. That was office work more than work on the grounds.

Mr. JEFFERIS. Who was it of the construction division, representing the Government that took charge of this matter for the Government?

Mr. TOBY. Well, the contract officer on the job, Maj. William B. Gray; he stayed there; he was the contracting officer on the job. He was there when I left and I think got out of there and out of the service simultaneously, about the 1st of April.

Mr. JEFFERIS. Do you know where he lives?

Mr. TOBY. I think originally he was a resident of Harrisburg, Pa.

Mr. JEFFERIS. That is all.

(And thereupon, at 5.40 p. m., the committee adjourned.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Monday, October 6, 1919.

The committee met at 11 o'clock a. m., pursuant to call of the chairman, Hon. William J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

TESTIMONY OF MR. CLAIR FOSTER.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. This subcommittee on ordnance has had under investigation various matters, and among other things, in looking over the files in the matter of the Marlin-Rockwell Loading Co. we found a report of yours which was filed as of October 23, 1918, which goes into the relation of the Marlin-Rockwell Co. and the Ley Co., and the condition of the plant, and so on, quite extensively. That was introduced and became a part of the record of this committee. Afterwards some of the gentlemen who were officers of the Marlin-Rockwell Loading Co. appeared before this committee and gave evidence quite extensively about the delays in the plant and the plans of the Government as to their plant. Now, we thought it advisable to call you and see just what your knowledge was of these matters, and to get such facts into the record as you were cognizant of.

When were you attached to the War Department, Major?

Mr. FOSTER. From March, 1918, until March, 1919.

Mr. GRAHAM. Before going into the service, what was your business?

Mr. FOSTER. A farmer.

Mr. GRAHAM. Well, had you any technical knowledge?

Mr. FOSTER. Well, all my life, except for the last five years, I have been in construction and building mostly.

Mr. GRAHAM. Engineering, or what kind?

Mr. FOSTER. Buildings, mostly.

Mr. GRAHAM. Of your own?

Mr. FOSTER. No; I worked for other people; I was not alone; I was in other companies; I was not alone.

Mr. GRAHAM. What companies were you connected with?

Mr. FOSTER. Mostly the Fuller Co. and the Thompson-Starrett Co.

Mr. GRAHAM. When you came into the War Department did you come in at the request of anyone?

Mr. FOSTER. I was sent for by some people in the Shipping Board; I got quite a preemptory sort of a telegram saying I was wanted down here, and they offered me any one of two or three jobs; I don't remember what it was, and they did not seem to be my kind of jobs; I was not fitted for that work; I did not know anything about ships or anything of that kind, and I told them that I would get them a man that would do the job better than I could, and they commissioned me to go off to New York and get a man, and I got this man and got him out of his business and brought him down here, and they let me out. I did not want to say, "No; I can't take the job," without doing something to help them out. And by this time I had become rather imbued with the thought of doing something instead of staying on the farm, so I looked around to see what I was fitted to do, so I bumped into Col. Starrett, who was chairman of the emergency construction committee of the War Industries Board, and immediately he took me up to Gen. Pierce, I think he was on that board, or he was the War Department representative on the War Industries Board, and Mr. Baruch, and they told me to come in there and be a part of Starrett's committee, the construction committee; I worked on that—

Mr. GRAHAM (interposing). Up to that time had you been given a commission?

Mr. FOSTER. No; just when I came in there then. In one capacity I worked for that committee all the time, and in another I worked directly for the Assistant Secretary of War.

Mr. GRAHAM. Mr. Crowell?

Mr. FOSTER. Yes; doing all sorts of things, just like this Marlin-Rockwell thing.

Mr. GRAHAM. What commission were you given?

Mr. FOSTER. Major.

Mr. GRAHAM. In what department?

Mr. FOSTER. I don't know whether it was the Engineers or what it was; I don't know much about military matters, as you will see.

Mr. GRAHAM. You acted under the direction of Mr. Crowell, Assistant Secretary of War, in the work that you did after that, did you?

Mr. FOSTER. Well, we were doing jobs at this time, at the same time we were doing our War Industry Board job; at the same time; at any time we had any time to spare we rushed off and inspected some—

Mr. GRAHAM (interposing). Inspected some plants?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. And that you did, I suppose, at the direction of Mr. Crowell?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. Well, now, was it as a result of any directions you got that you visited this Marlin-Rockwell loading plant?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. Who did the orders come from?

Mr. FOSTER. From Mr. Crowell's office; I don't remember whether they came from him personally; I remember that my credentials I went up there with were signed by Mr. Crowell.

Mr. GRAHAM. Did anyone go with you on that occasion?

Mr. FOSTER. No, sir.

Mr. GRAHAM. How long before October 23, 1918, was it that you got up there about; I notice your report is dated that day; when did you actually go?

Mr. FOSTER. I could not tell you that now, but sometimes these reports are written up within a few days after I return, and sometimes, in the press of other business, they would have to hang over for two or three weeks.

Mr. GRAHAM. Do you remember the contracts in that particular case?

Mr. FOSTER. Pretty well.

Mr. GRAHAM. There was the principal contract with the Marlin-Rockwell Loading Co.?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. By which they were to act as the agents of the Government, and then they employed as their contractor Edward T. Ley?

Mr. FOSTER. F. T. Ley.

Mr. GRAHAM. Yes. Now, did you examine those contracts at the time up there?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. I notice you make certain observations in here about what kind of contract it was, and whether the Government was fairly or unfairly treated; what have you to say about those contracts in general, such as this one they had, as to the fairness of the contract to the Government?

Mr. FOSTER. Well, to go back and reconstruct the situation as it was then, I would think that that was a fair contract that the Government made with the Marlin-Rockwell Loading Co., when the Government required a great quantity of a certain kind of munitions and had to look for somebody to turn that stuff out, they invariably ran against a manufacturer who did not have the means or materials to turn out the materials in the time necessary, so that it was necessary for the Government to put up the money; that is, to hire that manufacturer, the same as it would hire you or me as an employee.

Mr. GRAHAM. I notice you comment—by the way, let me suggest to you if you have not read this statement lately——

Mr. FOSTER (interposing). No, sir.

Mr. GRAHAM. (continuing). You should do so before this examination proceeds, I believe; you ought to look it over so that you can answer us intelligently about it.

Mr. FOSTER. Well, it would undoubtedly refresh my memory; I have not seen it since, but I have a very good memory.

Mr. GRAHAM. I think you had better run over it.

(Thereupon the committee stood informally on a recess until the witness, Mr. Foster, examined the statement in question.)

Mr. FOSTER. I think I am ready, Mr. Graham.

Mr. GRAHAM. You have refreshed your memory now by reading the report?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. Now, do you care to modify your former answer any to any extent about which you speak of the fairness of this contract? I see by this report you speak of that particular fact in paragraph 3.

Mr. FOSTER. Yes; that is true. I do not think that this contract was fair in that respect.

Mr. GRAHAM. In what respect?

Mr. FOSTER. I think that the amount they would have paid the Marlin-Rockwell Co. would have been all right if those fellows had shown a disposition to make good; if they had put the right kind of practical men on the job.

Mr. GRAHAM. What did you see, Major, when you went down there? Tell the committee now what the situation was as you observed it, and what you did there and what you found out; without reference to your report, tell us what you actually saw.

Mr. FOSTER. The first thing I did was to go down to the plant, and I was very unfavorably impressed by the site, to begin with.

Mr. GRAHAM. What was the matter with it?

Mr. FOSTER. Oh, it was nearly all low and swampy ground; it was subject to inundation, and I had passed on the way down several sites that at first glance looked to be much better, much closer to Wilmington, and those sites I went all over very carefully, and of the several that were available I could not find any one that was not better than that one. Now, the first thing that struck me was the poor site.

Mr. GRAHAM. Now, the gentleman who represented this company testified before this committee that there was a double reason for taking this land; in the first place, that it was available to the river, a frontage on the river; and in the second place, it was far removed from the city of Wilmington, where explosions, if they occurred, would not do any particular harm, and in that marshy ground explosions would lose their force to a considerable extent. Now, that is the reason they gave for the location in that particular place; what have you to say about that?

Mr. FOSTER. Well, the reason that they gave me—the first reason that the then manager of the Loading Co. gave me was that the ground was too expensive over there by the river, and when I pointed out that the difference in the expense of ground did not amount to a hill of beans, compared with the building expenses on this site, as they finally chose, then he finally said, “Well, we couldn’t get any foundations on the other site.” I think I told all that in here. He said that he put down test holes and found quicksand. That, of course, I disproved; I found the man that he said put down the test holes, and that man told me that he had not put down any test holes, and that neither he nor any other man had found any quicksand. So that let that out out of my calculations; I did not have anything more to do with him.

Mr. GRAHAM. What about the danger of explosions?

Mr. FOSTER. That I am not expert on. The ordnance people might have told them that was a better site than the others farther north. The others were practically just as much isolated; they were miles from anywhere. There were little settlements just as near this place as they are the other sites farther up the river.

Mr. GRAHAM. Were those sites subject to the criticism of being low and marshy?

Mr. FOSTER. No; that is what I particularly objected to, because it was so hard to do work there. If the plant was required at all, it was required in a big hurry, and you could not do anything in a hurry at that place.

Mr. GRAHAM. Why? What was the character of the soil?

Mr. FOSTER. Nearly all of it was low and marshy and had a dike along the river, and every time the dike gave way the whole place was inundated. The buildings had to be set on pilings.

Mr. GRAHAM. Were the buildings that were built set on pilings?

Mr. FOSTER. There weren't any built. They were to be on pilings. They hadn't any there when I was there; they had the temporary stuff, like the office building, and the barracks for the workmen to live in.

Mr. GRAHAM. Were they on this low ground?

Mr. FOSTER. No; they were on the higher ground. They hadn't done a thing toward turning out bombs.

Mr. GRAHAM. Well, did they build any roads or docks down there?

Mr. FOSTER. Yes; they had done some dredging to build some roads. There was a terrible lot more to build there; I remember that.

Mr. GRAHAM. Was it through the low, swampy land they were building the roads?

Mr. FOSTER. Yes; I remember one road there that they were building, and they had to build a good many to get to the main plant. I did not see them all, all the main buildings down there, but big warehouses and things like that.

Mr. GRAHAM. Was there some high land back of this land?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. What was it, hill land?

Mr. FOSTER. No; maybe 20 or 30 feet higher than the river, and fairly level.

Mr. GRAHAM. Do you know whether they changed the location of the plant after your visit there, or before your visit there?

Mr. FOSTER. Before they did; at first the whole plant was designed down on this flat, and then, I believe, through the intervention of the Ley Co. the manufacturing buildings were shifted up on the higher ground, and the warehouses and things like that, and storehouses, were still on the flat when I was there; that is, they were planned to go down there.

Mr. GRAHAM. Those were all temporary buildings, however, so far as you could see them?

Mr. JEFFERIS. There weren't any up.

Mr. FOSTER. None of the permanent buildings were up when I was there. All that was up was store and office buildings and barracks for the workmen that were going to construct the plant.

Mr. GRAHAM. Was there anything on the flat land when you were there—any buildings?

Mr. FOSTER. I think not.

Mr. GRAHAM. Everything was on the high land?

Mr. FOSTER. Yes; but there wasn't anything permanent built there.

Mr. GRAHAM. How many acres was there in that tract, about; how large a tract was it?

Mr. FOSTER. This is merely a guess now—

Mr. GRAHAM (interposing). Well, I wouldn't want you to guess. How big did it look to you?

Mr. FOSTER. It looked about a half mile long and a quarter of a mile broad; a half mile along the river and about a quarter of a mile back.

Mr. GRAHAM. Was it a triangular piece of ground or more of a parallelogram?

Mr. FOSTER. I can not recall exactly. Of course, I don't know about the property lines.

Mr. GRAHAM. I am talking about the marshy ground.

Mr. FOSTER. My recollection of the marshy ground is it was broader at the north end; that is, it came something like this and got wider [indicating on piece of paper with pencil]; here is the higher ground, and the temporary buildings here [indicating].

Mr. GRAHAM. Of course, we can't get that into the record, Major.

Mr. FOSTER. No.

Mr. GRAHAM. It was a strip of ground lying along the river, with high land back of it?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. Did you recommend at that time that the plant be located some place else?

Mr. FOSTER. Yes, sir; in that report.

Mr. GRAHAM. What was said to you by those who were managing this outfit down there?

Mr. FOSTER. By the Marlin-Rockwell people?

Mr. GRAHAM. Yes; about the location of the plant?

Mr. FOSTER. They said it had been approved by officers of the Ordnance Department; that the site had been approved, and they told me when and by whom, but I can not recall now.

Mr. GRAHAM. How did they get access to this place; was there a railroad near it?

Mr. FOSTER. No; they were building a railroad; they had built several miles of track into it to get their construction materials in there.

Mr. GRAHAM. Well, these other locations that you speak of, farther up the river, were they available or near to a railroad?

Mr. FOSTER. Yes; the site that I liked, my recollection is that the railroad ran right through it.

Mr. GRAHAM. Was that the Lukens tract?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. These officers say they wanted \$1,000 an acre for that. Would that cost have been prohibitive?

Mr. FOSTER. No; it would not, because suppose there were 200 acres in the tract—I do not remember—but suppose there were 200 acres, \$200,000. You could throw away \$200,000 down in that swamp just like that [snapping fingers]; I do not know that it was \$1,000. It rather ran in my head that it was \$500 an acre.

Mr. GRAHAM. Well, you say in your report that they contended they wanted \$1,000 an acre.

Mr. FOSTER. Well, maybe so. The Government did not have to pay \$1,000 an acre for that kind of land. The Government could have commandeered it or condemned it.

Mr. GRAHAM. Yes; there was an act of Congress by which they could have gone in there through a regular condemnation proceeding.

Mr. FOSTER. I think it is a fact that the War Department must have approved that site as these fellows said.

Mr. GRAHAM. Do you know why that particular site was selected above these others?

Mr. FOSTER. No, sir; I never did find out.

Mr. GRAHAM. What did you observe about the officers of the company and the way they were doing their work, and everything; the officers and the men?

Mr. FOSTER. They were not experienced men, and had not ability as construction men at all, or as designers, of a plant, or as operators of a plant. At that time nobody knew anything about loading shells and bombs; but when we started to load they probably knew, because the Government picked out people and said, "Go out and learn," and they did.

Now, these fellows were in the same position. Now, if they had been breaking their necks to try to learn to load bombs I would have thought a great deal of them, but they were not. They were sitting around taking things easy and letting the Ley Co. do all the work; they are construction people, the Ley Co.

Mr. GRAHAM. Well, were they, the Ley Co., doing much work?

Mr. FOSTER. Yes; the Ley Co. are able people; they furnished all the brains in the way of construction there was.

Mr. GRAHAM. Several of these officers were drawing large salaries; when you were there in the latter part of October, what were they doing; were they on the job?

Mr. FOSTER. They had an office in Wilmington, 20 or 25 miles away.

Mr. GRAHAM. Were they at the plant or at Wilmington?

Mr. FOSTER. They were at Wilmington.

Mr. GRAHAM. Who did you see around the plant in the way of employees?

Mr. FOSTER. I do not recall, Mr. Graham. There were a great many men working there.

Mr. GRAHAM. What were they working at?

Mr. FOSTER. The dikes and construction and dredging and barracks for the workmen, and drilling wells, and building barracks for the men.

Mr. GRAHAM. What were they drilling wells for?

Mr. FOSTER. For water supply.

Mr. GRAHAM. Where did they get the water supply from?

Mr. FOSTER. They were drilling wells; they had a great many all around the place.

Mr. GRAHAM. At this particular place where the plant was to be located, was there deep water in the river so that ships could dock there?

Mr. FOSTER. I don't know how much dredging—they had a dock there, and I remember standing on the shore talking to Ley's head man about the approach by water there, and I do not recall the fact, but I recall that it did not disturb me much; there would be no trouble about getting barges in there. I don't think they could get ships in there. I think the flat bottom barges would have to pull out and load the ships in the stream. That is my recollection, but that was not a bad situation.

Mr. GRAHAM. I notice you criticize the amount of compensation that was paid. You speak of the compensation of 6½ per cent to the Marlin-Rockwell Loading Co., that they were not earning it. The Ley Co. were only getting 3½ per cent, and you criticized the amount of compensation that was paid the agent.

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. What have you to say about that? How could that matter have been remedied?

Mr. FOSTER. By the agent's having the right kind of brains on the job to earn his 6 per cent; if he had the right kind of people there to manage the job, I would say that he was not getting enough, but it certainly was too much to pay certain people who were not showing any ability to carry out their job.

Mr. GRAHAM. Well, now, here is another thing: You take these contracts generally; you know the Ordnance Department had a standard way of doing these things; they would hire an agent and turn over to the agent everything, let him pick the site and pick the contractors and do the whole job; I suppose you saw a good many of those plants during the time you were in the service?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. What was your experience and observation as to the wisdom or lack of wisdom of that proceeding?

Mr. FOSTER. I never liked it, and both Col. Starrett and I talked against it repeatedly, and spoke about it like in here.

Mr. GRAHAM. Now, tell us—tell this committee what your judgment about that plant was; what was the matter with it, if anything?

Mr. FOSTER. Well, the theory is unsound; that a man who has highly technical knowledge on a certain subject is therefore the right man to do the construction work on the plant. A doctor or a surgeon might be the finest kind of a surgeon, but he certainly is not the man to construct his surgery; he can not build it. Well, that is what is wrong with that theory. The Marlin-Rockwell people would look out for pupils to go out and learn how to load bombs, but there is nothing in the history of the Marlin-Rockwell Co. or those fellows that they had there that would lead anybody to believe that they had the ability to design or construct a plant. And that is what is wrong with all these contracts. When the Construction Division of the Army was set up there was an order came from The Adjutant General's office, I think on October 5, 1917, that thereafter no work should be done except under the administration of the Construction Division. The Construction Division had a uniform contract. You know what that uniform contract is. And if this job had been conducted in accordance with that order these people would have been hired probably to design and operate the plant, or they might have been, but they certainly could not have been hired to build it; that would have been given to some expert builder.

Mr. GRAHAM. Well, what I am curious to know is why is it necessary for the United States to hire an agent to build a plant; that is, hire an agent who can hire builders to build a plant. Why doesn't the United States—why wouldn't it be better for the United States to hire the building direct?

Mr. FOSTER. It would.

Mr. GRAHAM. What is the use of the intervention of an agent?

Mr. FOSTER. It was presumed in this case that the agent was the man who was going to know how to do the actual operation of the plant; that is all right, to hire some fellow to go out and learn how to load bombs.

Mr. GRAHAM. That is all right, to have somebody to build it.

Mr. FOSTER. Naturally you have to have somebody to design it, and naturally the man who knows how to operate it knows how to design it; if he doesn't, he doesn't know anything about it; so, it was all right, I think, to let these people design and operate the plant, not to construct it.

Mr. GRAHAM. Well, did you find that same thing in other places?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. Was it subject to the same criticism every place you saw?

Mr. FOSTER. In most cases. I know, I recall one signal exception to that, and that was the big powder plant out at Nashville. I was sent out there, and I rather expected to see something like this, but I was very much surprised. The agents were the Du Pont Co., and they had an agent there that was a crackerjack; that is one case where it worked out all right. But in so many cases this same objection arose. At Bethlehem plant near Atlantic City, they had no experienced builders and the moment a builder went on the job he could see it thoroughly.

Mr. GRAHAM. Do you know whether that matter was called to the head of the department at any time?

Mr. FOSTER. It was called to the attention of the Ordnance Department many times, because I heard Col. Starrett, who was my boss, argue that over and over again.

Mr. GRAHAM. With whom?

Mr. FOSTER. Oh, various people; I can not recall.

Mr. GRAHAM. Did you ever hear him in conversation with the Chief of Ordnance about the matter?

Mr. FOSTER. No; but Col. Starrett has told me—this, of course, would be hearsay—but Col. Starrett has told me about meeting different men in the Ordnance and telling them; and he has referred to it over and over again in reports, in reports he has made, the same as I have.

Mr. GRAHAM. Where are those reports; where can they be found; in the War Industries Board?

Mr. FOSTER. They would be in there some place; yes.

Mr. GRAHAM. Did you make your reports to the War Industries Board always?

Mr. FOSTER. Yes; because we were finally working for them. I would make mine to Col. Starrett, and Col. Starrett would, I think, transmit it to Mr. Baruch; I am not dead sure about that, and he would probably transmit it to Mr. Crowell's office. Toward the latter part of our work it may have been we transmitted them direct to Mr. Crowell's office; I do not recall about that.

Mr. GRAHAM. How many reports did you make, Major, approximately?

Mr. FOSTER. Quite a number; I can not recall them all.

Mr. GRAHAM. That was practically your whole business there, while you were in the service, was it?

Mr. FOSTER. No.

Mr. GRAHAM. What else were you doing?

Mr. FOSTER. I was a member of that emergency construction committee, and the duty of that committee was to recommend contractors for specific operations around the country and that was all in connection with the work of the Construction Division. We had

made a survey, you know, of the whole construction industry of the country.

Mr. GRAHAM. Do you think the location of that plant there, the Marlin-Rockwell loading plant, at the place where it was, entailed any additional cost to the Government?

Mr. FOSTER. Yes; I know it did; surely. When I say it was a bad site, Mr. Graham, I speak only from the builder's point of view. I heard a lot of Ordnance men talk about the site and talk about the objections to other sites, but their talk never convinced me that the other sites could not be used just as well as that one, even from their own point of view. I never got that impression, but from the point of view of a builder it was distinctly a bad site and hard to work through. The Ley Co. were just as cognizant of that as anybody.

Mr. GRAHAM. What officer of the Ley Co. do you suppose would have the best knowledge of that situation?

Mr. FOSTER. Mr. Sickman; he is vice president.

Mr. GRAHAM. Where is he; in New York?

Mr. FOSTER. I don't know; I have never seen him since the day I was up there. He is a very able man.

Mr. GRAHAM. Do you know about when the Government abandoned the lower land as a site for building?

Mr. FOSTER. No, sir; they made a great many plans, you know—tentative layouts—and just which one moved it up to the higher ground I do not recall.

Mr. GRAHAM. You speak of a conversation you had with some one connected with the United States Railroad Administration relative to the location of this plant in here; can you remember that conversation; what the purport of it was?

Mr. FOSTER. I went to see him——

Mr. GRAHAM (interposing). Who was it, do you know?

Mr. FOSTER. Mr. Powell; I think that is his name; T. C. Powell. And I may have seen others, too, but I do not recall. I went to see those fellows to see if there was any objection to these other sites farther up the river from the operating point of view—railroad operating point of view.

Mr. GRAHAM. Proceed.

Mr. FOSTER. From the railroad point of view these other sites were much better.

Mr. GRAHAM. But the one item of danger to people from explosions you did not go into extensively?

Mr. FOSTER. No. I heard Ordnance people talking about it. We had meetings there in the Assistant Secretary's office.

Mr. GRAHAM. Who; Mr. Crowell's office?

Mr. FOSTER. He was not present, but some of his people were. That was after we had recommended that the work be abandoned and go to a new site. Starrett and I were convinced that you could abandon that work that had already been done—that temporary work—and go to a new site to finish up quicker than you could in that swamp. There were a great many conferences and investigations after that. Mr. Crowell had the Construction Division men go up there and investigate it, and he had the Ordnance fellows investigate certain theories, and we had conferences then, and the way the thing finally boiled down they decided that it would take a

longer time to pick up stakes and acquire a new site and therefore it would be better to go on with the work where they had started.

Mr. GRAHAM. At that time was the Government figuring on making a permanent plan of this?

Mr. FOSTER. I don't know; I think not.

Mr. GRAHAM. Did the Government have any representative down there at the plant when you were there?

Mr. FOSTER. Yes; they had one or two, but nobody to amount to anything. They had some young lieutenant down there who was more or less of a rubber stamp, you know. Immediately then, though they did put the job in the hands of the Construction Division, and the Construction Division put some good men on there; they took right hold of the thing and started to pull it out.

Mr. GRAHAM. Well, what was your experience about finding Government representatives around at the various plants in the summer of 1918; was the Government creditably represented at those various plants that you visited in most instances?

Mr. FOSTER. Well, at the Marlin-Rockwell plant, until the time that the Construction Division took charge of the job there wasn't any adequate representation there. At the Bethlehem loading plant, there was no proper representation until after the Construction Division took it over. I am trying to think of some of the others. At that DuPont job there was very able representation of the Government; some officers there who were smart men. Out at Alliance, Ohio, the Morgan Engineering Plant, a big gun plant, there was nobody there to amount to anything. Generally speaking, until the Construction Division took charge of these jobs, I do not think the Government was well represented.

Mr. GRAHAM. Did the plant at Alliance, Ohio? Were they getting anywhere, or getting along with their work?

Mr. FOSTER. The job was finished when I saw it.

Mr. GRAHAM. Were they producing anything?

Mr. FOSTER. They were mounting guns and building gun carriages; the guns were being made some place else and shipped there; big railroad mounts and mounting the guns in that particular shop.

Mr. GRAHAM. How did the Construction Division help things any?

Mr. FOSTER. Well, the Construction Division, that was their sole job, to attend to construction, and they had a lot of able men. They picked up their men almost entirely from civil life; they had no Regular Army officers at all, and they picked men from different construction companies and got them anywhere they could. Of course, they did not have all cracker-jacks either. They had something like 12,000 men in that division, and you can not pick out 12,000 men in a few months and not get a few lemons.

Mr. GRAHAM. That is, they did the construction entirely?

Mr. FOSTER. Yes; and they did a good job.

Mr. GRAHAM. When was this Construction Division organized?

Mr. FOSTER. Sometime before I came down here. It must have been prior to October 5, 1917, because that is when the order came out of The Adjutant General's office saying that no work should be done except under that division.

Mr. GRAHAM. How does it happen that after that, in October, 1918, these were still running under the old system?

Mr. FOSTER. Because the Ordnance did as they pleased.

Mr. GRAHAM. They did not have to come under the Construction Division?

Mr. FOSTER. They did not. Until the latter end, some of these jobs were going so badly, and then they turned them loose and called in the Construction Division, and turned them over.

Mr. GRAHAM. Now, that is an interesting statement. Was there an order of the War Department that these jobs should be done under the supervision of the Construction Division?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. And that was made, you think, in the fall of 1917?

Mr. FOSTER. I think the date of it was October 5, 1917.

Mr. GRAHAM. From that on, up during the spring and summer of 1918, was the Ordnance Department letting contracts and jobs without any reference to this order?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. How was it possible for them to do this?

Mr. FOSTER. Well, I suppose they figured that they were letting this job to an agent, and it was up to him to decide who was going to do the construction work; they were just going to leave it all to the men they were employing.

Mr. GRAHAM. Well, was that an artifice adopted by the Ordnance Department to avoid the effect of this Construction Division order?

Mr. FOSTER. I don't know

Mr. GRAHAM. What was the Construction Division order? I think you stated it a while ago, but what was the effect of the order?

Mr. FOSTER. Well, the effect of it should have been——

Mr. GRAHAM (interposing). What was the letter of the order, as you remember?

Mr. FOSTER. The actual wording of it?

Mr. GRAHAM. Yes.

Mr. FOSTER. I can not recall, but it is very close to what I tried to quote there. You could get that, of course. I have read it myself a dozen times.

Mr. GRAHAM. Tell me again what you think the substance of it was?

Mr. FOSTER. Well, in effect it said that after that date no construction work should be done in the Army except under the administration of the Construction Division. If you get it and read it, that is what it means.

Mr. GRAHAM. No construction work should be done by the Army, I suppose?

Mr. FOSTER. Yes, sir.

Mr. GRAHAM. Except under the supervision and administration of that division?

Mr. FOSTER. Yes.

Mr. GRAHAM. And then if any department would hire an agent that would remove it from the scope of this order, because the department would not be doing construction work?

Mr. FOSTER. I don't think it would; Starrett and I maintained all the time that the Ordnance Department should not have turned all the construction work on those jobs over to the agents that they hired.

Mr. GRAHAM. But that is the way they construed it, that they had the right to, was it?

Mr. FOSTER. I don't know. I personally never talked to any of the Ordnance men—the higher officers, who would be able to tell me if I had asked them why they did that; I never talked to them personally. Col. Starrett has.

Mr. GRAHAM. All you know is that they did do it?

Mr. FOSTER. Yes; and that we kicked about it all the time. It didn't help the reputation of the construction division a whole lot to have to take over these jobs, because in most cases they took them over when they were in a mess.

Mr. GRAHAM. Did you take over any of them?

Mr. FOSTER. Yes; they took over this job and the Bethlehem job—the Bethlehem loading job near Atlantic City—and numerous others.

Mr. GRAHAM. That was only shortly prior to the armistice, I suppose?

Mr. FOSTER. Well, they took over the Bethlehem job, I think, before that report was written.

Mr. GRAHAM. This report was made in the latter part of October, 1918, two or three weeks before the armistice; so that you really didn't get much done after you did take them over, did you?

Mr. FOSTER. No.

Mr. GRAHAM. It was too late?

Mr. FOSTER. Yes; but there were a whole lot of things too late in this war, you know. I have grown a little more charitable in my judgment of these things than I used to be.

Mr. GRAHAM. Is there any place down around that plant for people to live—workmen—around the Marlin-Rockwell plant?

Mr. FOSTER. Not the workmen who are going to work on the operation of the plant. They had not even started on the housing. Only the barracks for the people who were constructing the plant.

Mr. GRAHAM. How long would it have taken them to have gotten that plant under way, in your judgment, so that it would be loading bombs?

Mr. FOSTER. I can not recall now. There was—some of the fellows of the construction division could tell just what was decided on that, because I remember in a conference in Mr. Crowell's office we all talked the thing over, and finally came to the conclusion that if the Ordnance did not change its plans any more we could have the thing ready for operation by a certain date. Col. Trask—I don't think he is in the construction division now—would know that; and Maj. Wallace, if he is there, he would know that; and Maj. Gray, if he is there, he would know.

Mr. GRAHAM. Well, do you know anything more relative to this plant that you can tell this committee, Major, that would be of service to it—any information that you have about it?

Mr. FOSTER. We tried to get the Ordnance to agree to get these bombs by the units to the then operating shell-loading plants, but they argued against that. They never said anything in any of these conferences that convinced me that it was not a perfectly practicable thing to do, but they all stood out against it. We all said: "You could get bombs quicker by adding units to the shell-loading plants," particularly as they picked a crowd that did not know how to operate them after they got them built.

Mr. GRAHAM. There were several existing shell-loading plants at that time, were there not, in operation?

Mr. FOSTER. Yes; unfortunately they had that blow-up at Perth Amboy, and that threw a scare into the Ordnance fellows, and they were afraid to add anything to anything, but I did not see why, and there was no reason why they could not. It might be taking a chance, but that is what war is, taking chances.

Mr. GRAHAM. Do you know whether they produced any particular amount of these Barlow bombs?

Mr. FOSTER. Why, I was told that they had made contracts with various manufacturers around the country to turn those things out, and that later the Ordnance Department had decided that they did not want them; that they were not good or did not go off right, or something, and a lot of these contracts had been made without cancellation clauses, and the fellows were continuing to make bombs. That is what I heard; I don't know of my own knowledge.

Mr. GRAHAM. Do you know where they were?

Mr. FOSTER. No, sir.

Mr. GRAHAM. Or how many of them?

Mr. FOSTER. No, sir.

Mr. GRAHAM. Did you hear anything more about that after that?

Mr. FOSTER. No; I was not interested. The Ordnance Department would have a record of that, of course.

Mr. GRAHAM. Well, were we making any other aerial bombs of any kind in the United States to your knowledge?

Mr. FOSTER. I think so, because they showed me samples of bombs up there; not Barlow bombs, but other bombs, various sizes and shapes, great big things, that were being made somewhere.

Mr. GRAHAM. The question has come to my mind several times since I have heard the first testimony on this matter about whether it would not have been better for the United States, more economical, inasmuch as these bombs were to have been used in Europe, to have added units to existing plants in France or England and loaded those bombs over where they would be near to the seat of operations, and where it would not have been necessary to have built great and expensive new buildings and plants like that as they were evidently attempting to do. Did you ever consider that matter?

Mr. FOSTER. Oh, yes. But there were so many circumstances that decided all these things that it is impossible to say now—to go back and reconstruct the situation and say what should have been done then; nobody can. They undoubtedly, in the opinion of the fellows who had the say, thought this was the best thing to do, and in those times that is about all anybody could in all the welter of conflicting circumstances. A man simply had to go into the mess and pick out and say, "I guess this is the thing to do," and then go at it and do it.

Mr. GRAHAM. In your experience with the Ordnance Department at that time was there any confusion in the department?

Mr. FOSTER. Yes, but there was bound to be. They had a tremendous task and their organization was numerous; they had been obliged to enlarge it by leaps and bounds and you could not possibly have a smooth-working machine under those circumstances.

Mr. GRAHAM. Was there no coordination of the various part of the department, as you observed?

Mr. FOSTER. Well, I think it was as good as it could be under the circumstances, but in business you would not call it good, of course; you would call it very bad. But each man had an intensive job; each man was grinding away on his own little part; he knew little about the job of the man next to him; the same as my own; people used to ask me about matters that ordinarily I should know something about, but I was grinding away at my own little job, and when people asked me about things that they thought were closely related, I would say I did not know, to go and ask so and so.

Mr. GRAHAM. I guess that is all. Mr. Jefferis, do you want to ask anything?

Mr. JEFFERIS. Yes; I want to ask a few questions.

Who issued this order that no construction work should be done in the War Department except under the Construction Division?

Mr. FOSTER. The Adjutant General. The order issued through The Adjutant General. What the origin of the order was, I don't know. I presume the Secretary of War.

Mr. JEFFERIS. Had that any particular number or anything to designate it?

Mr. FOSTER. Gen. Marshall can tell you all about that order, and give you a copy of it, and everything.

Mr. JEFFERIS. Did any other department of the War Department—other than the Ordnance—seem to disregard this order?

Mr. FOSTER. No, sir; the Signal Corps had been doing just what the Ordnance was doing. The Signal Corps had various construction bureaus in it, the same as the Ordnance had, but when that order came out the Signal Corps turned all its work right over to the Construction Division.

Mr. JEFFERIS. Now, how did it happen, do you know, that the Construction Division was asked to investigate these Ordnance jobs afterwards; do you know how that came about?

Mr. FOSTER. Well, that would be the logical thing—they would be the logical people to ask, because they had more construction experts in their division than any other division had.

Mr. JEFFERIS. Do you know from whom or from what source the order came that the Construction Division should go into these matters?

Mr. FOSTER. Like this Marlin-Rockwell matter, for instance?

Mr. JEFFERIS. Yes.

Mr. FOSTER. I imagine Mr. Crowell told some one to go up there, and Gen. Marshall would be the man he would naturally call on to investigate some technical matter connected with construction work. As a matter of fact, Gen. Marshall did send some very good men up there to look it over.

Mr. JEFFERIS. Did you or the Construction Division—do you know—investigate the nitro plant?

Mr. FOSTER. Why, Col. Starrett was there. He did not go there to investigate the plant; he went to visit it and look at it, and he wrote the job up; he wrote quite a long article for Scribner's Magazine on the plant. It was not for the purpose of seeing how much the Government got for its dollar. That is the way I looked at this.

Mr. JEFFERIS. What other ordnance plants did you investigate other than this Marlin-Rockwell plant?

Mr. FOSTER. Oh, I went to that Bethlehem loading plant near Atlantic City; and I went to the Calco Chemical Co., at Boundbrook, N. J.; and I went to the Old Hickory Powder Plant, at Nashville; and I went to the Morgan engineering plant, where there was a big gun-mount factory; this was at Alliance, Ohio. I went to others, but I can not seem to recall just now. And I sent fellows around to a good many places and then went over their reports and quizzed them, and dug into that the same as you are doing to this one, to see whether those fellows had the right dope. There must have been 15 or 20 of those; and in some cases, when I did not think the men had got the inside facts, why, I would make a trip out myself. That is how I came to go to Bethlehem. The man that went there, it didn't look to me like he had brought back all the facts, so I went myself. The same thing about the Morgan engineering plant.

Mr. JEFFERIS. As you understand the system that was being followed by the Ordnance Department, they would let the contract to some one to buy the land and build the plant, and then they would operate it?

Mr. FOSTER. Yes. Now, I never heard Mr. Crowell or anybody say why the Ordnance was permitted to go ahead in that way. Now, Mr. Crowell may have some good reason for it. I can see one that might be. Here the Construction Division, when we got into the war, was composed of Gen. Littell and Gen. Marshall, who was then a captain, and some lieutenant, and a stenographer; and that, I think, was the Construction Division when it started, and they had an office somewhere in a private building, and they had taken out the bathtub to use that for an office for the boss. Well, in a few months it jumped to where they had something like 12,000 men in that division. Now, it is possible that Mr. Crowell, who is a practical builder, by the way, might see that if he overtaxed that division he might spoil the whole machine. It may be that he thought it was better to let these fellows go on this way than to throw so much on this young Construction Division that it might break down. If I thought that way I would not throw it on them either.

Mr. JEFFERIS. Are there any practical men acquainted with construction in the Ordnance Department that you came in contact with?

Mr. FOSTER. A few; they were mostly engineers, not fellows who did actually build something themselves; they were, for instance, an architect, who would stand around and show the builder how he wanted it built; distinct from the fellow who would go in and on the ground, like myself, and have the whole responsibility of erecting that structure.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Anything, Mr. Garrett?

Mr. GARRETT. As I understand you to say, Major, you thought these people, the Marlin-Rockwell Loading people, were capable of designing the plant?

Mr. FOSTER. No; they were not.

Mr. GARRETT. Not capable of designing?

Mr. FOSTER. That is, the people that they had turned the job over to.

Mr. GARRETT. I am speaking of the loading company; not the corporation.

Mr. FOSTER. No; they were not. Of course, they made a great stir there after we got to digging into this thing.

Mr. GARRETT. You mean they did not have, so far as you found, an engineering force with proper architectural ability to design the structures that were needed at this particular work; is that it?

Mr. FOSTER. They may have thought; they did the best thing under the circumstances when they employed the Ley Co.; they did do it; they are able people. They furnished all the engineering brains there, and they were doing all right.

Mr. GARRETT. As a matter of fact, did you ascertain from your investigation whether the Marlin-Rockwell Loading Co. had any engineering force except what it did obtain from this Ley Co.?

Mr. FOSTER. Well, when I was there they had a chief—the Marlin-Rockwell Loading Co. had a chief engineer, but that was one of the things—the choice of the man was one of the things that convinced me that they were not capable of designing it, because they picked that man, when he was not a designing engineer at all. He was a man who was more fitted to go out and make reports on projects and proposed projects and mines, and things of that sort. He was not a designing engineer. There is a difference, altogether, between a reporting man and a designing man.

Mr. GARRETT. Was it because of delays in construction that you were directed to go there and make the investigation, or do you remember whether that element entered into it?

Mr. FOSTER. No; I can not tell you now. Just somebody got the idea that the thing was not going right, that is all.

Mr. GARRETT. The representative of that company that testified before this committee the other day emphasized continuously that the delays were occasioned by no fault of theirs; that it was due to the fact that they never could get the specifications of the material itself that was to be used in loading the shells. He bore down—to use that expression—he bore down very heavily on this proposition, that before they could possibly design the building, they had to know the character of the material that was to be used in loading the shells, whether it was to be 50-50 amatol, or T. N. T., or other material.

Mr. FOSTER. From their point of view they are quite right. Up to the time I was there the point never was settled which it was to be, and I recall at one of these conferences with the ordnance men, the Construction Division, when we finally agreed that in so many months the buildings could be completed, some remark was made by an ordnance officer that made me think that they were thinking about some changes, and I said, "Wait a minute; have you settled on this; aren't you going to build according to this last layout?" They said, "Well, we were thinking about moving the T. N. T. to another place." Both the Construction Division men and myself said, "Scratch that promise out altogether; I would not promise that it could be built in four months, or four years, until you fellows settle that." The Marlin-Rockwell people never did know. But I blame the Marlin-Rockwell people the same as the ordnance; the ordnance were doing some, but if the Marlin-Rockwell people were the right kind of agents and earning their 6 per cent they would come here and say, "Tell me what you are going to build here; do not send me to General So-and-So; if you do not I will write you a

letter and tell you I can not have anything more to do with this job." And then they would have got results. But they did not have the nerve. The kind of fellows that were sitting around in Wilmington drawing \$12,000, or \$15,000 a year would not take the chance of losing their jobs by coming down that way. At first they would change and change, and up to the time I was there they did not know what they were finally going to build.

Mr. GARRETT. That gentleman stated, I believe, that they got their specifications on the 5th of November, and that they broke ground for the power house on the day that the armistice was signed. Did you state definitely just when the Contract Division in the Ordnance Department took over this Marlin-Rockwell job?

Mr. FOSTER. All I know, it is about the date of this report.

Mr. GARRETT. I think that is all.

(And thereupon, at 12.30 o'clock p. m., the committee adjourned.)

SUBCOMMITTEE No. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Friday, October 10, 1919.

The committee met at 10.15 o'clock a. m., pursuant to call of the chairman, Hon. William J. Graham (chairman) presiding. Also present, Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

TESTIMONY OF MAJ. GEN. C. C. WILLIAMS, CHIEF OF ORDNANCE.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. General, we are wanting to develop some facts about the smokeless powder situation, and with especial reference to the plants at Old Hickory and Nitro, W. Va., and the contracts that were made for them, and the apparent reasons that made those contracts necessary. I understand that you have considerable knowledge of the situation overseas as to the powder situation in 1918.

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Can you tell this subcommittee, before starting on the other matters, about the approximate amount of smokeless powder that was required for propelling charges for the various kinds of shells, starting with the 75 millimeter and running up to the other calibers? Do you know the approximate amount of smokeless powder required for those charges?

Gen. WILLIAMS. At what time, Mr. Chairman?

Mr. GRAHAM. Take, for instance, during the year 1918, what amount was required to propel a 75-millimeter shell?

Gen. WILLIAMS. I could not give you any amount per caliber. The Ordnance had to work for the whole number of troops.

Mr. GRAHAM. I mean a single shell?

Gen. WILLIAMS. Oh, a single shell; about 2 pounds.

Mr. GRAHAM. I have been informed about 1.46 pounds, running up to 1.65 pounds, but I did not know whether that was correct.

Gen. WILLIAMS. That is, per shell; yes.

Mr. GRAHAM. Then do you know about the 240—

Gen. WILLIAMS (interposing). No, sir; I could not give you the figures for those charges. I can get that up very easily for you.

Col. HAWKINS. I have given it to Mr. Shaw.

Mr. GRAHAM. That can be put in afterwards, then.

Mr. JEFFERIS. If he has a tabulation, that can go in now.

Mr. GRAHAM. Yes; if he has a tabulation it can go in now in connection with Gen. Williams's testimony, to show the amount required.

(The table referred to is as follows:)

Propellent powder for various types of shells.

Shell.	Powder.	Cost.
	<i>Pounds.</i>	
37-m/m. H. E. shell.....	0.0899	\$0.3786
2.95 H. E. shell.....	.42	.25
2.95 shrapnel.....	.42	.25
75-m/m. H. E. shell.....	1.47	.75
75-m/m. shrapnel.....	1.68	.84
75-m/m. A. A. shell.....	1.89	.95
75-m/m. A. A. shrapnel.....	1.89	.95
3-inch H. E. shell.....	1.628	.81
3-inch shrapnel.....	1.7063	.85
3-inch A. A. shell.....	5.25	2.62
3-inch A. A. shrapnel.....	5.25	2.73
3-inch A. S. shell.....	6.78	2.89
3-inch 15-pound shell.....	6.78	2.99
3.8-inch How. shell.....	1.05	.52
3.8-inch shrapnel.....	1.05	.52
4.7-inch H. E. gun shell.....	7.875	3.90
4.7-inch gun shrapnel.....	6.825	3.42
4.7-inch A. A. shell.....	14	7.00
4.7-inch A. A. shrapnel.....	6.048	3.08
4.72-inch A. S. shell.....	7.88	3.90
4.72-inch H. E. shell.....	7.88	3.94
155-m/m. H. E. gun shell, Type B.....	27.3	16.06
155-m/m. H. E. How. shell, Type B.....	8.4	6.03
155-m/m. H. E. gun shell, Type D, thin-wall shell.....	27.3	16.06
155-m/m. H. E. How. shell, Type D, thin-wall shell.....	8.4	6.03
155-m/m. gun shrapnel.....	.32	16.06
155-m/m. How. shrapnel.....	12.06	6.03
5-inch A. S. shell.....	16.8	10.86
5-inch H. E. shell.....	16.8	10.86
6-inch gun shell.....	24.57	14.98
6-inch How. shell.....	4.725	4.18
8-inch gun shell.....	71.253	38.55
8-inch How. shell.....	13.02	8.28
9.2-inch How. shell.....	22.255	13.14
240-m/m. shell.....	36.75	20.40
10-inch H. E. shell and base-fuzed.....	157.99	93.15
12-inch gun shell.....	262.1925	146.00
12-inch mortar shell, base-fuzed.....	68.25	68.00
14-inch gun, H. E. shell.....	380.64	206.32
16-inch How. H. E. shell.....	262.52	148.26

Mr. GRAHAM. Now, what was the situation in Europe as regards smokeless powder production beginning in the year 1918? Give us a general, detailed account as to whether it was increasing or decreasing, and about the approximate amount that was being produced in England and France.

Gen. WILLIAMS. Yes. I am familiar with the situation in France, but not so familiar with the situation in England. In 1918 the production of smokeless powder came practically to be a question of shipping. The French had built up a very large capacity for the manufacture of powders. I can not give you the figures for that, but it was sufficient to meet their needs. Their difficulty, however, was that they could not get the raw materials on account of the shipping. They could not, for instance, get the nitrate from Chile. The ratio to finish the raw materials for smokeless powder is about 20 to 1. So at the time we went over there in June, 1917, they were not working their factories nearly to capacity, because they could not get the raw materials. So they were in rather a serious situation concerning smokeless powder and high explosives. In August, 1918, a joint commission was appointed called the Franco-American Commission—

Mr. GRAHAM (interposing). August, 1918?

Gen. WILLIAMS. August, 1917.

Mr. GRAHAM. Now, was this situation that you have detailed in 1917 or 1918; which?

Gen. WILLIAMS. I am talking now of 1917, but that, of course, continued into 1918. This commission was convened for the purpose of considering the whole question of the supply of smokeless powder and high explosives to the United States troops and to the French troops. The French told us that unless they received material assistance by the 1st of December they would not be able to supply their Army; that they must have powder and explosives in particular, in very considerable quantities, giving us the quantities. I have a report of the proceedings of that commission which I could have put into the record if you care to have it.

Mr. GRAHAM. Yes; I believe we had better have it. Is it very long?

Col. HARRIS. It is 10 or 15 typewritten pages.

Mr. GRAHAM. It can go into the record here with the reservation that immaterial matters can be eliminated.

(The proceedings referred to are as follows:)

CONCLUSIONS OF TECHNICAL FRANCO-AMERICAN COMMISSION ON EXPLOSIVES,
SERVICE OF INTERALLIED RELATIONS AND INFORMATION.

Chief Military Engineer of Powders Patart, president of the Technical Franco-American Commission on Explosives, to the minister of armament of munitions of war. (Office of the minister.)

The Technical Franco-American Commission on Explosives, organized pursuant to your letter No. 4218 4-M, dated July 13, to Gen. Pershing, was convened as soon as its president was informed of the precise designation of representatives of the Government of the United States, previously made party hereto.

The commission met on the 2d of August, 7th of August, and the 22d of August, and finished its work in the meeting of August 29.

I have the honor to present you herewith the findings of its deliberations and to resume below the conclusions of its studies. Pursuant to the program which you have laid out, the commission has considered France and the United States as constituting a group whose interests were common and whose common needs should be satisfied in the most complete, most economical, and most expeditious manner.

From the collected data it is immediately apparent that for the manufacture of powder and explosives France will have to collect for nearly all of its raw materials as well as for the coal for ocean transportation, inasmuch as the United States finds within its territory an abundance of these same raw materials as well as coal. However, the problem of ocean transportation is one which at the present moment has become so important that it occupies the attention of all the Allied Governments, and it is necessary at all costs to reduce the quantities to be transported.

In so far as powders and explosives are concerned, the question of ocean transportation requires special consideration, since for the manufacture of 1 ton of explosives it is necessary to import from 8 to 12 tons of raw materials and for 1 ton of powder from 15 to 20 tons, and since the French powder service immobilizes for its needs a fleet of 500,000 tons. This figure could be reduced to 125,000 tons if the total amount of powder and explosives necessary for the armies of France were manufactured in America and transported to France. The solution, then, which presents itself for the general necessity of the Allies consists of manufacturing in the United States not only the total amount of powder and explosives necessary for the American effectives in France but also the fraction of necessary supplies for French troops (say, about two-thirds), which can not be obtained in France with raw materials produced from French territory.

On the other hand, their decision must not be delayed in consequence of the critical situation of the stocks and reserves of nitrate of soda. This indis-

pensable component in the manufacture of powder and in the greater number of explosives will soon be wanting, and it must be foreseen that by the beginning of the month of December next the production of powder and explosives in France will be reduced to one-tenth of the actual amount. The commission having relied upon the agreement of the principle of manufacture by the United States of powder and explosives found a subsidiary question presenting itself.

The manufacture of explosives made according to French regulations is already practiced on a large scale in the United States; but the only powder which is actually there for France is that which belongs to the 75-mm. cannon, which after all gives entirely satisfactory results, for all calibers and in particular for the 155-mm. gun the fear has been raised that American powders which appear in the form of multi-perforated grains will give rise in the French cannon to irregularities in combustion leading to accidental suppressions (*suppressions*) and deterioration of the guns as well as irregularities in performance, which would prove dangerous to the troops. It is thought that these defects might be avoided by the appropriate use of primers (*amorceage*), and moreover there is the strongest consideration to employ American powders of the present type, which would result in a particularly economical method of manufacture and will utilize materials already existing in the United States. This is why the commission considered that there was no need to lay stress upon the study of methods whereby American powders could be used in French cannons of all calibers with safety, and to pursue this study simultaneously in France and in the United States.

However, since it is necessary to exercise the greatest forethought and since the study which has been proposed might not be able to overcome or circumvent impracticable modifications in the make-up of powder charges, and since on the other hand the production ought above everything else to be assured it appeared to the commission it is necessary even at the present time to place at the disposal of the technical experts in the United States the means of familiarizing themselves with the processes in the manufacture of French powders in the event that insurmountable difficulties arise in the adaptation to large calibers any American powders. With this end in view the matériel and personnel necessary for a daily output of powder of the French type ought to be sent to America.

At the same time it appeared necessary, in order to hasten the studies, that French technical experts who were perfectly acquainted with the manufacture of powders used in war and the manner in which they were used in the different calibers ought to be placed at the disposal of the American Government; in this manner the fumbblings, the misunderstandings, and the false moves, under circumstances where every delay must have the greatest consequences, will be avoided. The representative of the artillery service had doubts as to the possibility of obtaining a French technical expert capable of doing this requirement, on the ground that technical experts acquainted with the employment of powder in guns already insufficient in number in France, but the majority of the commission insists upon the necessity of this method of procedure.

Besides, the commission deemed it advisable that the high commissioner of France in the United States receive a detailed account of these deliberations so that his action might be carried out with full understanding of the matter, from the results which have come to hand the commission concluded that the results could not be obtained in the desired time if the American Government itself took into its own hands this question of development of production of powders and explosives in the United States and that negotiations between the French representatives in America and representatives of American industries would only delay the necessary and desired solution.

At any rate, as far as the quantities to be manufactured are concerned, the commission deemed it impossible to fix at the present time schedules which would serve as a basis, it having been determined from actual experience that the consumption corresponds to periods of activity on the French fronts, but the only feasible solution which presented itself would be to periodically bring to the attention of the American Government the programs agreed upon between the minister of armament and the general in chief.

Consequently the propositions which the commissioners adopted can be summed up in the following manner:

1. The Government of the United States should be invited to take into its own hands the supplying of the entire amount of powder and explosives necessary not only for the American contingents in France, but as well (and in the

proportion of about two-thirds) the powder and explosives necessary for the consumption of the French armies.

2. That study be immediately undertaken to adapt American powders of the type of multiperforated grains of present manufacture to the firing of French cannons of all caliber; that this study be followed simultaneously in France and in the United States.

3. That to this end the French Government put to the disposal of the Government of the United States competent experts in the manufacture of the different powders and in the method they are used in the armies.

4. That in the event which may be foreseen where this adaptation may raise insurmountable difficulties or necessitate important modification of matériel, or where it would be impossible to rapidly bring the matter to conclusion at any rate provisionally and for certain calibers without recourse to powders in bands of the French type, the complete matériel and personnel necessary for the manufacture of 20 tons a day of powder and bands of the French type should be immediately dispatched by the French Government, to be placed at the absolute disposal of the United States Government.

5. That the high commissioner of France in America be fully informed of the deliberations of the commission.

6. That the Government of the United States should be periodically informed of the progress of powders and explosives agreed upon between the minister of armament and the general in chief of the French armies. The problem presented raises besides the question of governmental procedure and financial questions as to the ——— of purchases or cessions of payment and financial responsibilities distributed to the services for their purchases from the foreigner. This question evidently is beyond the scope of the commission.

(Signed) PATART.

TECHNICAL FRANCO-AMERICAN COMMISSION ON EXPLOSIVES, FIRST MEETING,
AUGUST 2, 1917.

At 3 p. m. on August 2, 1917, the Technical Franco-American Commission on Explosives formed pursuant to ministerial dispatch No. 4218 1-M, dated July 13, 1917, addressed by the minister of armament and munitions of war to Gen. Pershing, commander in chief of the American Expeditionary Forces, held its first meeting. There were present Monsieur M. Patart, chief military engineer of powders, president; Lieut. Col. Williams, Maj. Graves, Commander Cahen, Commander Alleau, Capt. Arnold Whitridge, Capt. de Nevro, Capt. Martin. Capt. Cavalier, absent, was excused. Lieut. de Neufilze, liaison officer, took part in the meeting.

Capt. de Nevro was made secretary. Chief Engineer Patart, after having extended a welcome to the American members of the commission and after having given them assurance that their French colleagues were, like themselves, only concerned in attaining a common end assigned to the commission, said that it appeared to him necessary above all things to precisely define the object of the commission's labors, for which he had recourse to ministerial instructions. This object was not limited to the examination of means to provide for the eventual needs of troops in France by previous deductions concerning French manufacture of powder and explosives, but according to the phraseology of the ministerial instructions "to examine the question of explosives in its entirety and to study the maximum production in the manufacture of powder and explosives for the best interests of France and the United States, respectively." In order to allow the commission to proceed as rapidly as possible, Monsieur Patart believed it feasible to bring at once and in as precise a manner as possible information at his disposal on the respective resources of the two countries in respect of the manufactures under consideration.

The accurate situation of France from this point of view is at best difficult, and to understand it, it will be convenient to rapidly recall the difficulties which have been encountered here and the methods which have been employed to overcome them.

At the outbreak of hostilities France found herself in a horrible situation. No one had foreseen, nor could they have foreseen, the formidable output of munitions which the new methods of combat and the unforeseen duration of war had entailed. The supply on hand, made up with a view to a war of short duration, was rapidly exhausted, and suddenly it was ascertained that resources as to raw materials were very much below the needs of the case. What was principally lacking was products in the distillation of oil (phenol, cresol,

particularly toluol) which constitute the essential elements in the manufacture of nitrate explosives in service (picric acid—melinite, cresolite, dinitro-toluol, or T. N. T.). At this period France did not possess manufacturing plants capable of producing either phenol or cresol made from tar, and the quantity of phenol synthetically manufactured which she was able to produce did not exceed 1,000 kilograms a day; as to benzine and also as to toluol necessary in its manufacture products was negligible, France possessing but few furnaces for the procurement of coke, and these for the most part were, moreover, situated in the evacuated districts. In turn, nitrate of soda and sulphuric acid were at this period relatively plentiful. These products were used in the manufacture of manure, and the stocks accumulated for this purpose were sufficient to meet the needs for a while.

It was strongly necessary to give up cresolite because of the very small amounts of cresol derived from tar.

In order to procure phenol, benzine, and toluol, France invoked the assistance of Great Britain who furnished herewith all quantities of benzol and toluol, quantities which reached and actually exceeded 3,500 tons a month; the United States which at the outbreak of hostilities, possessed but relatively few coke furnaces fitted to extract benzol rapidly developed such installations and thus fitted for producing synthetic phenol and were thus able to furnish to France over and above considerable quantities consumed to America itself up to 500 tons of phenol and 3,000 tons of pure benzine a month and besides small quantities of toluol. In order to procure this last product France had been forced to draw upon the petroleum deposits of Borneo. At the same time France turned her attention to all explosives made from ore susceptible of being adapted to military needs particularly to explosives with a nitrate of ammonia basis which she was able to procure in abundance in Norway and explosives of chlorate and perchlorate basis the manufacture of which already existed to certain extent in France. So far as the manufacture of powder goes, the raw materials of which are cotton, sulphuric acid, nitrate of soda and alcohol, these were not lacking at the beginning and the manufacture of them depended only upon manufacturing plants. These latter have multiplied since that time. To appreciate the actual situation, it would be well to call to mind that only by making this appeal to both Great Britain and the United States was France able to procure the raw materials necessary for these manufactures. Now these raw materials heretofore transported by sea, the crisis in freight due to submarine warfare, has brought about a condition seriously menacing the manufacture of explosives and powder. If we resume in fact the different categories on explosives and powders of which we have just been speaking, in the first place it will be found, picric acid, the manufacture of which requires for 100 kilos: 55 kilos benzine, 75 kilos solid caustic soda, 400 kilos pyrites, 185 kilos nitrate of soda, and 500 kilos coal.

As for benzine we have seen that nearly four-fifths of the amount used in France was brought there by sea. Soda requires in order to be manufactured and concentrated nearly two and one half times its weight in coal, the greater part of which comes to us by sea.

Pyrites comes to us in large measure from Spain or Italy.

As for nitrate of soda, it comes exclusively from Chile by ships taking from 50 to 60 days in making the course. Now boats that can make trips of long duration are no longer to be found and the supply diminishes from day to day. Forty-five thousand tons a month are needed and only 20,000 to 25,000 tons can be procured. On account of the length of the voyage (120 days coming and going under the most favorable circumstances), the services of supply hesitate to divert to these courses ships which could transport in the same time upon a voyage much shorter, all articles indispensable for the feeding and heating of the armies and civil population. On the other hand, England and the United States when asked to furnish a supplemental freight for this purpose, have denied themselves their own stated needs so that the situation was particularly grave and it may be foreseen that by the beginning of December, 1917, the stocks having been exhausted, it will be necessary to reduce manufacture proportionately to the resources, this is to say at least half of the actual manufactures.

To overcome this difficulty the French Administration proposes to develop to a considerable extent the manufacture of synthetic nitric acid, but this demands large installations of hydraulic power (since coal is lacking), and it can not be hoped under the most favorable hypothesis in view of the difficulty which is encountered in obtaining labor and the necessary materials, that the first installations of hydraulic power for nitric acid will be able to function before the middle of the year 1918.

It must not be forgotten, moreover, that nitrate of soda is indispensable for agriculture, and the problem of provisioning presents itself in France with almost as much insistence as that of the manufacture of explosives. For dinitrotoluol (T. N. T.), toluol, which also comes by sea, is necessary (from the United States and Borneo) and also nitrate of soda.

For powders cotton is necessary, which comes by sea from the United States, nitrate of soda, which comes by sea, and, finally, alcohol, which is obtained from grains necessary for feeding, and at least an important part of which is imported by sea, or beetroot, which represents sugar, also imported in large part by sea, and, finally, a great deal of coal which necessarily comes to us by sea.

Nitrate of ammonia comes also from Norway by sea.

Finally, chlorates and perchlorates require getting a considerable hydraulic power, part of which is necessary in the manufacture of aluminum, ferro-silicon, or synthetic nitric acid. It is not possible to augment this output, which is after all of small importance, without reducing the output of other products which are indispensable for the needs of the Army. If calculations were made on the quantities of raw materials to be imported for actual manufactures, it is found that it is necessary to import by sea from 8 to 12 tons of raw materials to produce 1 ton of nitrate explosives and from 10 to 20 tons of various materials to make 1 ton of powder.

If, on the contrary, we consider the situation of the United States, we will find that the situation is altogether reversed. That country is a great producer of benzol and of toluol, large amounts of which are exported to France; soda, coal, and cotton, grains and alcohol in abundance. It can receive nitrate of soda by the Pacific, which corresponds to a voyage by sea of 40 days, coming and going, in place of 120 days. As for pyrites, I am not very well informed as to the resources which can be found in the United States.

Lieut. Col. WILLIAMS. We find in Louisiana all the quantities of sulphuric necessary to make all the sulphuric acid which we need.

Chief Engineer PATART. Under those circumstances, it may be said that the United States has in its own territory all the necessary raw materials of first importance, with the exception of nitrate of soda, whereas France is forced to get them by sea. As far as nitrate of soda is concerned they (the United States) can procure three times the amount that could be gotten in a sea voyage of the same length within the submarine zone, where ships can be employed to land the seaboard of France and England only at great risk.

If we take stock of these considerations and if we adopt the point of view pointed out by the minister of armament—that is to say, if we consider both countries (France and the United States) as constituting one, and if we take into consideration the actual difficulties of marine transportation and the grave consequences which follow therefrom, the solution which immediately comes to mind is the following:

Since the United States finds within its own territory all raw materials which France can only procure by sea, and since the transportation of raw materials requires from ten to twenty times the amount of freight as the transportation of manufactured explosives, evidently all explosives ought to be made in the United States and transported to France. At the same time this will accomplish the result of economizing a fleet of from 300,000 to 400,000 tons, considering solely the needs of powders and explosives of the French Armies, which at the present time is of the highest importance.

From the opposite point of view, France will only be able to feed the American Armies in France at the expense of provisioning our own troops, but she will also cause a fatal reduction in her own output, because at the present time it will be seen that there will be a reduction by half, beginning by the middle of December next, owing to the lack of nitrate of soda, which is indispensable.

It remains to inquire whether the solution indicated above does not raise special difficulties and whether the United States will be able with relatively small delay to bring about installations necessary for an increase in manufacture corresponding only to the attendant reduction in the French output, but to an increase corresponding to the new effectives which the United States is about to place in the line upon the Continent.

Commandant CAHEN. Can we get any idea of the value of this requested increase?

Lieut. Col. WILLIAMS. It is for you in the light of your experience to fix a procurement figure.

Commandant CAHEN. It would be necessary to know the number of effectives planned.

Lieut. Col. WILLIAMS. We think that there will be 10 American divisions in France between this time and the end of the year.

Chief Engineer PATART. For my part I believe that the United States will be able without any difficulty to meet all of her own needs.

So far as explosives are concerned, the installations for the manufacture of picric acid are so simplified that if the Government of the United States energetically takes the matter into its own hands, in view of the considerable powers which it already has at its disposal, I am persuaded that all the necessary installations will be completed in a short while; it has a method of manufacture which all American engineers already know. They are furnishing us at the present time with considerable quantities of picric acid of satisfactory quality. They are not in need of wood, iron, nor of anything which is required in construction. Their manufacturers are celebrated for their speed in execution. In France at the end of the year 1915 we were able to create new capacities for manufacturing 200 tons a day in less than four months, and, moreover, we were in need of nearly all construction materials.

As far as the United States is concerned, this delay would certainly be able to be further reduced.

With respect to powders, the question has been considered to be more delicate. Up to the present time the United States has only furnished us with powder for the 75s, and as far as powder for the guns of larger calibers is concerned, it is feared that certain difficulties may arise in the manufacture of special types adapted to our ordnance, but I believe that they should easily accomplish this.

Capt. MARTIN. We have already tested specimens of coarse powder in the United States, but powders of the multi-perforated type very rapidly show errors due to humidity, and as a result excessive and dangerous variations of velocity and consequently of range occur. It is therefore to be feared that the coarse powders manufactured in America are not capable of being employed under the same conditions as the French powders.

Lieut. Col. WILLIAMS. Errors due to humidity are greater than with the French type?

Capt. MARTIN. Yes.

Lieut. Col. WILLIAMS. I do not see the reason why.

Chief Engineer PATART. Nor more do I, but if the fact is as stated, this could be attributed to causes either because the American powders are delivered in a drier state than the French powders which would explain a greater error due to humidity than if the powders had been exposed to an atmosphere saturated with moisture and the remedy for this fact would be easy. It would only be necessary to deliver powders in a moist condition, that is to say powders which have already taken on a normal humidity.

Or perhaps it is due to different methods of manufacture. In France two kinds of guncotton are used, one of which is very gelatinous and a great excess of solvent. Thereby we obtain relatively soft paste in which the fluid collodion is everywhere disseminated. The United States employ a single type of guncotton and a small amount of solvent (100 in place of 150), thereby hard paste is obtained where the gelatination is perhaps homogeneous.

Lieut. Col. WILLIAMS. I do not believe that because we work under considerable pressure which ought to cause the gelatination to penetrate through the entire mass. What is the price of nitrogen for French guncotton?

Chief Engineer PATART. I will point that out to you exactly at the next meeting. As for the method of manufacture I have only taken a suppositious case. That may be an exact, for the purpose of attempting to explain a fact surprises me and which ought to be cleared up. Capt. Martin will be good enough to bring us at our next meeting a detailed statement of experiments upon which the opinion is grounded that American powders are not satisfactory for large French calibers. The question is one of the highest importance and ought to be cleared up. The American Government having decided to adopt the French 155 matériel ought to be in position sooner or later to produce powders adapted to this matériel. It will be seen that we can not expect solution of this problem it is necessary to know precisely if, indeed, American type of explosives are capable of being employed without inconveniences in this country.

In any case and since it is necessary to proceed with great speed, it will not be impossible to forward to the United States the matériel and personnel of

20 tons a day of powder of the French type in such a manner that the United States will be able to rapidly develop the one of the two methods of manufacture which will appear preferable to them. It is important that necessary measures be taken rapidly to bring this matter to a head because time is pressing and a crisis is impending which may have the greatest consequences.

To sum up, my opinion is that if France must manufacture explosives for the American effectives she will not be able to do so except at the expense of supplies made or intended for the French effectives; and in any case these supplies would themselves be reduced in consequence of the lack of nitrate of soda. It consequently appears necessary to take the view that the French output will become reduced to the quantity corresponding to the raw materials obtained within French territory, or to those which may be received without too great difficulty. It must not be forgotten, however, that the number of available workers is on the decrease and the recourse must be had for nearly one-half of the total of annual labor to Annamites, Chinamen, Kabyles or Senegalese; that it is necessary to feed them which increases the crisis in the feeding problem.

The United States ought then to provide itself with tools in order to produce not only all the quantity of powder and explosives necessary for the American effectives, but the fraction of supplies necessary for the French troops (say about two-thirds) which can not be obtained in France with raw materials produced upon its own territory.

An exception could be made for explosives with a chlorate of soda base, the production of which could be increased but on condition that the United States should furnish France a quantity of aluminum corresponding to the electric power used up, say 23 tons of aluminum for 100 tons of chlorate which would bring about an economy in transportation, but the surplus of explosives made from chlorates and perchlorates thus obtained could hardly exceed 30 tons a day.

Capt. WHITRIDGE. Could not the production of dynamite be increased? How much actually is produced? How much is used up?

Capt. DENEVRO. We can manufacture 125 tons a month of different kinds of dynamite which are wholly set apart for the consumption of the Army and of private industries.

Commandant ALLEAU. The average monthly consumption of explosives for the French troops on the front and for the war of mines is: 250 tons of explosives of chlorate base, 10 tons of dynamite, 6.5 tons of melinite. These figures do not include the consumption of trench mortars.

Chief Engineer PATART. In order to manufacture dynamite nitroglycerine is necessary, that is to say, glycerine, sulphuric acid, and nitrate of soda. So far as glycerine is concerned its manufacture is tied up by the importation by sea of oily seeds, and at the present time the greatest difficulties from this point of view are already encountered.

The conclusions exchanged may be new for certain members of the commission. It would perhaps be well for each one of the members to reflect upon them and to find out the best solution to adapt in order to present it to the commission at its next meeting, which will be fixed for Tuesday, the 7th of August.

Lieut. Col. WILLIAMS. Would it be possible to have for this date as detailed a statement as possible of what has been said to-day?

Chief Engineer PATART. A detailed report will be gotten out as soon as possible based upon the notes taken by the stenographer and sent immediately to each of the members.

(The proposition to meet again on the 7th of August at 3 was adopted and the meeting adjourned at 4 o'clock.)

TECHNICAL FRANCO-AMERICAN COMMISSION ON EXPLOSIVES, SECOND MEETING, AUGUST 7, 1917.

The Technical Franco-American Commission on Explosives was reconvened at the call of the minister of armament and munitions of the war under the chairmanship of Monsieur Patart, chief military engineer of powders.

There were present: Lieut. Col. Williams, Maj. Graves, Commandant Alleau, Capt. WhitrIDGE, Capt. de Nevro, Capt. Martin, Lieut. de Neufize.

Commandant Cahen and Capt. Cavalier, absent, were excused.

The report of the first meeting was adopted without remarks.

Monsieur Patart gave the conclusions promised on the subject of the nature of guncotton employed in the manufacture of French powders. Cotton No. 1, called "Insoluble" is employed at the rate of from 55 to 70 per cent, according to the sensitiveness of the powder; the amount of nitrogen is understood according to regulations to be between 12.90 per cent (the minimum amount) and 30.50 per cent (the maximum amount). Cotton No. 2, or "soluble" cotton, which enters into the composition of powders in the proportions of from 30 to 45 per cent, possesses an amount of nitrogen varying from 11.96 per cent (the minimum amount) and 12.46 per cent (the maximum amount). Powders contain much more soluble cotton so that they are coarser and consequently adapted to larger calibers.

Capt. Martin brought the conclusions requested at the foregoing meeting upon the possibilities of employing American powders instead and in place of the powders of the French type in cannon actually in service.

It appears from conclusions contained in a letter of the Versailles Commission on Powders of War (No. 214-m/19), dated July 4, 1917, that theoretically powders of American manufacture in grains could be employed in war ordnance requiring powders B. C. and B. S. P., but with certain reservations or modifications in manufacture. In particular, the construction of cannon cartridges ought to be made the subject of a special study (divisible charges of powders in grains requires detonators and primers different from those used in powders in bands), but "it is clear from the former experiments that this study will be able to be carried out.

So far as the preservation of ballistic properties are concerned it has been observed that the moisture of American powders, if this be measured by the loss of weight after heating for 4 hours at 60°, is slightly considerably below 1 per cent; that is why exposed to the same damp atmosphere they take on more moisture than the French powders, such as the B. C. or B. S. P., the humidity of which moisture as above stated ought, according to regulations to vary between 1.30 per cent and 1.62 per cent. It has been found that B. C. powder, the humidity of which was 1.42 per cent when exposed for five days in a magazine possessing the same moisture (H. B. M. 12 No. 64) the humidity of which was only 1.61 per cent for the same length of time, together with an American powder the moisture of the first was raised from 1.42 per cent to 2.11 per cent and that of the second from 1.61 per cent to 2.17 per cent. The loss of velocity was only 2.30 for the first, whereas it was 30.2 for the second; in another firing, the moisture having passed from 1.53 per cent to 2.39 per cent for the B. C. powder and from 1.78 per cent to 2.58 per cent for the powder H. B. M. 12, the loss of velocity was 60.80 for the first and 37.40 for the second. It follows that powder of the American manufacture, such as that which has actually been delivered, must be stored in air-tight receptacles up to the moment of firing in order to preserve its ballistic qualities, the receptacle being able to fulfill the condition of an air-tight case. After the conclusions reported to the commission by Col. LaPradelle upon his return from his commission in America, it appeared possible to modify the manufacture of American powders in such a manner that the amount of humidity should be the same as that in French powders. With the accomplishment of this modification, manufacture would require several months and the commission on powders was not certain that in view of their form and their make-up, the different American powders remained more susceptible than French powders to the influence of moisture.

Monsieur Patart, summing up the question, said that American powders differ from French powders as follows:

1. By their lower degree of moisture (lost after 4 hours at 60°).
2. By their greater total of amount of volatile substances solvent in their nature.
3. By their form, which is granular, pierced with three little holes rather than in bands.

To enable American powders to be employed in the same armies under the same conditions as French powders it follows that it will be necessary to take certain measures. The increase in the amount of moisture does not appear to raise any difficulty, and after all that is known in this respect it does not seem that with the same moisture powders of the American type ought to subsequently act differently than powders of the French type; the reduction of the amount of solvent will require probably a completion and perhaps some modification in the treatment of powders, which would not appear to present great

difficulties; as for the employment of powder in grains in divisible charges, it will require with no doubt some modification in the method of primers, but the commission on powders deems it will be possible to bring this to a satisfactory conclusion. Under these conditions the adaptation of the American powders to French cannons does not appear to raise insurmountable difficulties.

Lieut. Col. WILLIAMS. Have the American powders employed in French cannons been made from French formulas or American formulas?

Chief Engineer PATART. At the beginning of the war, for the sake of speed, manufacturers of the United States were requested to deliver powders of the type then manufactured by America for the 75 and we used what they gave us, only asking that it be as nearly according to specifications as possible. The charge to be used was determined by barage firing which the Versailles commission on powders carried out with respect to their lot.

Lieut. Col. WILLIAMS. Are there any powders of the grain type perforated with seven holes?

Monsieur PATART. Yes; and will reduce charges that give satisfactory results with the 75; but the question which presents itself is the use of these powders in other calibers where powders are not in air-tight cases, but in linen bags and where charges must be divided into several packages. It was at first feared that they would not take on moisture in the same manner, and, secondly, with respect to difficulties in accomplishing a regular burning which would not give rise to the prematures.

Lieut. Col. WILLIAMS. Are American powders sent to France in air-tight cases and do these cases remain closed?

Monsieur PATART. They are sent over in absolutely air-tight cases. If, moreover, our American colleagues would like to go with us to the Versailles commission on powders, they will show us how American powders are received and how they are unloaded and charged.

Lieut. Col. WILLIAMS. I accept and thank you in behalf of my colleagues.

Monsieur PATART. I ask the members of the commission if any of them see any other solution to the problem than that which has been suggested, namely, to manufacture in America not only powder and explosives necessary for the American contingents, but also a portion of the powder and explosives necessary for the French Army?

The members of the commission consulted all declared that they inclined to this point of view.

Lieut. Col. Williams declared that the manufacturing capacity of the United States will prevent them not only to suffice for the supply of American contingents but also for a part of the needs of the French Army, but it would not be possible to obtain this result until the beginning of the middle of December next. When Col. Williams left Washington, the Government of the United States assured him that without touching the contracts entered into between the Allies and American manufacturers, it would be possible to produce a large amount of the requirements for the American armies upon their arrival in France.

Chief Engineer Patart remarked that this statement was very reassuring, but it was extremely important to fix at the present time the best course to follow in order to arrive at the goal if valuable time was not to be lost. Several months ago the minister of armament, recognizing the necessity of making a larger appeal to the American manufacturers because of the difficulties of transportation arranged a conference with the manufacturers through the high commissioner. The negotiations had been long and the results very unsatisfactory because of the difficulties of price, conditions of purchase and consumption. The question of credit in America had required the intervention of the French administration of finance. This is the way to proceed if the matter is to be ended or to avoid ending it "too late"; that is to say, when the lack of raw materials will have reduced French manufacture to the point where the Army will be in danger of lacking munitions. It is necessary to request the United States Government to take the question into its own and to consider itself as charged by the Allies to furnish itself the necessary explosives and powder. The French Government and even the high commission in America are on a footing with respect to American manufacturers only the customers soliciting supplies. The manufacture question imposed conditions of price or payment or of excessive delays and the French Government has no method of action. It is entirely a different matter from the United States Government speaking to one

of its own citizens; having all the powers at the disposal of the Government it can fix the price, conditions, and delays; it is done with respect to steel and taken up the same with powders and explosives. It would be extremely nice if the American members of the commission should call the attention of their Government to this point.

Col. Williams said that they will not fail to do this and that they had already sent to their Government the proceedings of the commission, but it would be useful for the French High Commission to make an official application in this country.

Monsieur Patart said that the commission would be able to present a resolution along these lines.

Col. Williams said it would be necessary to fix the price.

Monsieur Patart said that could be done in the next meeting. For the time being it appeared to him that the commission was unanimous in asking (1) that the United States Government take into its own hands the furnishing of powder and explosives not only for the total requirements of the American contingents in France but also (and in a proportion which would be two-thirds of the actual output) that of the powder and explosives necessary for the consumption of the French armies. (2) The study should immediately be undertaken for the adapting different types of multicellular granular powder to the firing of French powder; that this study be carried on at the same time in France and the United States by competent experts. (3) That to this end the French Government should place at the disposal of the United States Government experts competent not only in the manufacture of the different powders but also in the method of their use in arms. (4) That in the event of the contingency where this adaptation should raise insurmountable difficulties or require too important modifications of material, recourse should be had at least provisionally to the band type of French powder and the complete material and personnel necessary to manufacture 20 tons a day of band powder of the French type should be immediately sent to the French Government and placed at the entire disposal of the United States Government. (5) That the High French Commission in America should be completely posted on the progress of the commission.

The president said that the next meeting would be fixed for Wednesday, 22d of August; that in the interval the commission would be able to resort to the Versailles Powder Commission, and to obtain there all the conclusions necessary to definitely settle at the next meeting the propositions to be made to the Minister of Armament. The proceedings in the present meeting will be typewritten and distributed to all the members of the commission through Capt. de Nevro to whom they should present their comments if there were any.

The meeting adjourned at 4.30 o'clock.

TECHNICAL FRANCO-AMERICAN COMMISSION ON EXPLOSIVES, THIRD MEETING, AUGUST 22, 1917.

The Technical Franco-American Commission on Explosives met for the third time August 22, 1917, at the call of the Minister of Armament and Munitions of War under the chairmanship of Monsieur Patart, Chief Military Engineer of Powders.

There were present: Lieut. Col. Williams, Maj. Graves, Commandant Alleau, Commandant Cahen, Capt. Whitridge, Capt. de Nevro, Capt. Martin, Capt. Cavalier, Lieut. de Neufize.

In respect to the report of the last meeting Capt. Martin presented the following comments:

(1) In the extract of letter from the Versailles Commission it is said that the use of American powders of French material after former experiments could be brought to successful conclusions; reservations ought to be made with respect to necessary delays for the termination of this study. It is also said "that the French Government ought to place at the disposal of the United States Government experts acquainted both with the subject of manufacturing powders and their use in arms." The number of technical experts fitted to answer questions as to the use of powder in arms is very reduced; all French technical experts are necessary and each is attached to a post where they are indispensable. Experts of the type in question who could be spared would not be sufficiently posted with the studies made heretofore and would not have at their disposal as sufficient means as our commissions of experience. In concluding his remarks, Capt. Martin asked to have the words "and their use in arms" stricken out and to make other reservation on this point.

On the other hand, the trials made in America ought not to hinder the service of artillery, and the acceptance of powders ought to be made in France by the service of artillery which is the consumer.

Capt. Martin said that the only solution would be to have specimens which qualify the commission to study.

M. Patart said that he was not altogether in accord with what Capt. Martin just said so far as it related to sending experts to America; the question is of such importance that there ought not to be any hesitation in choosing experts from among the officers who are acquainted with the question, and even if these officers did not possess the perfect and complete knowledge they would always be able to render a service to the American Government in telling what they already knew. The service of artillery fears that the people who are to be sent may be considered as official representatives, and that they may not be infallible; no one is infallible; furthermore, the services which are able to furnish expert officers are quite considerable, and it is hard to admit that among the considerable number of officers attached to the service of artillery it is impossible to spare a single one who could be posted upon the important points in the respect of powders.

Moreover, it is not proposed to have the complete receipt of powders worked out by experts sent to the United States. These experts will only carry the American Government the aid of their experience for the solution of difficulties which may be encountered; they will be allowed to carry out the first choosing from the specimens to be sent to France and consequently to hasten the making of trials recorded and to assist in the result. M. Patart said that the wording contained in the report should be adhered to.

The commission, after being consulted, adhered to this wording. Capt. Martin maintains the objections to the service of artillery based upon the lack of suitable officers.

Mr. Patart said that he would indicate the difficulties in which France found itself from the point of view of resupply in respect to nitrate of soda.

The powder service actually consumes about 45,000 tons of nitrate of soda a month; its stock on the 1st of August, 1917, was 64,000 tons in round figures.

The cargoes expected during the coming months were given in the following table:

	Tons.		Tons.
August.....	38,400	January, 1918.....	4,370
September.....	28,950	February.....	11,000
October.....	30,940	March.....	3,200
November.....	25,975	April.....	6,500
December.....	27,810	June.....	7,000

Since this total has been prepared three ships have been sunk, making a total of 10,900 tons, but it has been possible to charter two other ships forming a total of 10,000 tons, which compensates for the loss.

During the month of January we received no more than one ship a month. The situation is becoming more and more grave.

I believe it to be a fact that the Secretary of State has gone over to London to attempt to obtain new shipments from Chile.

The lowering of the consumption of 36,900 tons by the beginning of November has been foreseen; but it will nevertheless follow that by December 31 the stock will be completely exhausted and consequently the solution heretofore set forth becomes imperative, and it must not be delayed under any pretext under pain of incurring disaster.

Capt. Martin said that in order to carry out the test of powders, specimens would be required.

M. Patart said that the powder service had specimens manufactured by Dupont de Nemours Co.; these specimens are 900 kilos, and the artillery can make its experiments immediately.

Capt. Martin observed that the specimens belonged to a manufacturer of 1915; they may have changed since that time; recently manufactured specimens ought to be had in order to settle the conditions of manufacture.

Lieut. Col. Williams asked if the United States ought to procure specimens similar to those manufactured by Dupont de Nemours Co. at the beginning of the war, and have them sent to the powder service.

He also asked that he be informed as to the precise types which had been received.

M. Patart replied that the exact specifications would be given to him.

The experiments ought to be pursued not only in France but also in the United States; the studies proceeded more rapidly when conducted by two

services than by one; on the other hand, I ought to point out to the commission conclusions which I have gathered and are as follows:

In 1903 the marine artillery service had occasion to study *gavré* multicellular powders made in America for the 6 and 12-inch guns, powders manufactured by the International Smokeless Powder Co. of Philadelphia.

These powders when tried out in cannon of 16, 30, and 34 centimeter guns have given results entirely similar to those brought about by coarse French powders and adapted to these calibers.

M. Patart insisted upon the advisability of having studies carried on by both sides at the same time in America and France, with respect to the method of solving the question as quickly as possible.

The American Government ought to test the specimens without the pieces placed at its disposal and then send them on to France, where they could be examined anew by competent French commissions.

M. Patart said that if the commission was of the same opinion as himself they should prepare a letter to the minister of armament, summing up the conclusions of the commission along the principles which had been discussed during the preceding meetings.

The commission adopted this method of procedure.

Lieut. Col. Williams was anxious to have the quantities of powders to be manufactured fixed.

Capt. Martin gave the average expenditure of different types of powder at the front in order to give an idea to the American Government of the consumption of different kinds of powder.

The American Government could only carry on studies which would be as timely if they possessed matériel in use in France.

The United States is manufacturing for the 75; the French Government asks that the manufacture of powders for this caliber be continued without modifications, because it gives entire satisfaction.

As for the 155, the United States has received or will receive several cannon of 155 C Schneider (155 shorts) a *abtureurs plastiques*, and matériel of 155 GPF and 155 L. Schneider which require the employment of cannon cartridges (*gargouses*) and not of unfixed charges (*douilles*).

The 155's short, fired with two powders, BG 5 was a charge of 3 kilos 600, and BSP with a charge of 1 kilo 150, while the 155 GPS fire with 12 kilos of BM 7 or BM 9.

The definitive type has not yet been adopted.

M. Patart asked what basis ought to be established so that the American Government could regulate manufacture.

Capt. Martin gave below as a sample for information approximate daily consumption based upon two periods, one during a period of calm or inactivity and the other during a period of activity or defensive.

For 75's, during the period of calm, the consumption has averaged 25,000 rounds a day for the entire French front—say 250 per division, allowing 100 divisions in action for 25,000 rounds; this would require in the neighborhood of 15,000 tons of powder. During the period of activity the consumption has arisen exceptionally during certain days to 350,000 rounds per day—say 3,500 per division, corresponding to a weight of 210 tons of powder a day.

For short cannon there have been 1,000 shots fired a day upon the entire front and for the long guns 500, altogether 15,000 rounds for 155; each round for the short gun requires approximately 2 kilos 500 of powder, which makes a total consumption per day of 2,500 kilos.

For the long cannon 3 to 4 kilos must be counted on; then for the 155 GPF it is necessary to reckon on 12 kilos per round.

During the period of activity one must reckon for the short guns 35,000 rounds per day—say 90 tons of powder—and for the long guns 20,000 rounds, or 80 tons of powder—almost the same quantity of powder for the long as for the short guns.

From this the American Government can work out the consumption according to the number of divisions which it will have upon the front, and account having been taken of the relative duration foreseen of periods of activity and periods of preparation; after these figures it will be possible to reckon upon the grand total quantities of powder which will be necessary for them.

For explosives, the question is simpler.

For the 155 (steel shells) you must allow about 10 kilos per round.

For a round of 75,800 grains must be counted on, which makes 2 tons during the period of calm and 280 tons during an inactive period.

155 requires 15 tons in the case of small consumption and in the case of great consumption 550 tons for 100 divisions in action.

With these elements, the United States can take count of the grand total of explosives which they require.

Lieut. Col. Williams asked if the furnishing agreed upon by the French Government of 8,000,000 rounds for the 75 and 1,000,000 rounds of 155 to the American Government depends upon the furnishing by the American Government of the necessary powders.

M. Patart said that this question was not within the province of the commission.

Lieut. Col. Williams declared that he had not yet sent his Government the report of the meetings. He asked that the specimens delivered by Du Pont de Nemours required special arrangements.

Mr. PATART. No.

It would be sufficient to ask Du Pont de Nemours Co. to furnish the same product which they had furnished in September, 1915, to the French Government.

Capt. de Nevro indicated that the specimens which had been ordered in February, 1915, from Du Pont de Nemours were designated by BM 5, BM 9, BM 11, BM 13, and BM 16.

Capt. Martin said that in order to immediately begin the experiments in France it would be necessary to send 800 kilos of 175 specimens identical with those which the Du Pont de Nemours Co. had sent to the French Government in 1915 and approximate the French by the BM 9, BM 5, 11, 13, and 16 sent in the second half of 1915.

Mr. PATART. I repeat that if you agree with me I will prepare for the minister of armament a letter summing up the proceedings and opinion of the commission. This letter will unfold the difficult points which were summed up at the end of the last meeting, and in which we will ask the minister to take the necessary steps.

Capt. Martin asked to be given a copy of the letter to the minister before the next meeting, in order to make a preliminary study and to present remarks if that should be necessary.

Mr. Patart said that that was understood.

He added that so far as concerns the matériel necessary to manufacture 20 tons of powder in bands daily, the powder service would be able to place this at the disposal of the American Government with a very short delay. In any case, it is necessary for the American technical experts to have this matériel working in order to establish a comparison with that which they have at their disposal.

We will reconvene, if there is no objection, Wednesday next at 3 o'clock.

TECHNICAL FRANCO-AMERICAN COMMISSION ON EXPLOSIVES, FOURTH MEETING, AUGUST 29, 1917.

The Technical Franco-American Commission on Explosives met for the fourth time on the 29th of August, 1917, at the call of the minister of armament and munitions of war under the chairmanship of Monsieur Patart, chief military engineer of powders.

There were present: Lieut. Col. Williams, Maj. Graves, Commandant Alleau, Capt. Whitridge, Capt. Martin, Capt. de Nevro, Lieut. de Neufilze, Capt. Cavalier. Commandant Cahen was excused from attending the meeting.

The president asked if anybody had any remarks to make on the subject of the report of the last meeting. It was adopted.

The president read the draft of a letter hereto attached which he proposed to send to the minister of armament to sum up the work and the conclusions of the committee.

He asked if any of the members had any comments to make.

Capt. Martin, in the name of the service of artillery, insisted that because of the lack of technical experts acquainted with the use of powders in arms the relative reservation should be introduced in the conclusion of the letter to the minister (par. 3) under the following form:

"3. ——— experts acquainted with the manufacture of different powders and as much as possible in their use in arms."

The president deemed that this consideration lay within the province of the service interested and that it was for this service to present its objections to

the minister at the time of their execution. The commission could only insist upon the importance which it attached that a technical expert of this branch be placed at the disposal of the Government of the United States.

The commission concurred in the opinion of the president and decided not to modify the proposed text, but the representative of the artillery requested the insertion in the report of his remarks.

There being nothing further in the order of the day, the meeting adjourned at 4 o'clock.

The commission will not reconvene unless new questions are brought before it by the minister of armament.

EXTRACT FROM CABLEGRAM RECEIVED IN THE WAR DEPARTMENT.

PARIS, August 23, 1917.

THE ADJUTANT GENERAL, Washington.

Paragraph 17. A joint French-American commission has examined the question of the production in France of powders and explosives and reports as follows: France must import by December 4 the greater part of the raw materials used in the manufacture of powders and explosives. The weight of raw materials required is ten to twenty times the weight of the finished product. The shipping situation is such that by December the output of France will be limited by the amount of raw material produced in France or easily obtainable. The shortage of Chile saltpeter is particularly serious and difficult to remedy, because of the long and dangerous journey. The present outlook is that in December the French output will not be more than half of the present output. To avoid calamity the United States must not only furnish powder and explosives for all of its own forces but must supply about half of the French requirements. It is therefore recommended: (a) That the United States Government furnish all powders and explosives needed for present contracts with French Government. (b) That the United States Government prepare to furnish by December 300 tons per day of explosives and 200 tons per day of powder for French consumption. (c) That study be immediately commenced for the purpose of adapting American powders to French cannon of different types, this study to be made both in the United States and in France by competent experts. (d) That the French Government put at the disposition of the American Government competent experts both in the manufacture and use of these powders in the guns. (e) If the adaptation of the American multiperforated grain in French guns should reveal insurmountable difficulties and make the use of the French band types of grain necessary, the complete material and personnel necessary for the manufacture of 20 tons per day of French band types could be immediately sent by French Government and placed at disposition of American Government. (f) To immediately commence trials in France it will be necessary to send 5 samples weighing 1,700 pounds each, identical to those ordered by the French Government from Du Pont in February, 1915, reproducing the French types BM 5, BM 11, BM 15, and BM 16, and which were shipped during the second quarter of 1915.

PERSHING.

MR. GRAHAM. Go ahead, General.

Gen. WILLIAMS. A summary of the proceedings of that commission was cabled to the United States, and our people were very urgently recommended to take up the matter of providing supplies of smokeless powder and explosives not only for our own troops but for the French. As you doubtless know, both the French and British were at that time making considerable drafts on the United States for powder in general. A large part of it was going to the French and British together. Also a considerable amount of explosives. When the burden of supplying the armies of the United States was added to the burden of supplying the French and British it enormously increased the demand in this country, and for that reason these enormous plants were projected. At the time I returned from France in June, 1918, the powder plant at Old Hickory was under consideration, and also at Nitro. We were also considering a third

plant having a capacity of 500,000 pounds a day, and that was to be located at or near Louisville, Ky. We had a great many conferences concerning the demand, and it was eventually determined to put off the construction of the one plant at Louisville until developments should show that it was absolutely necessary to take it up. However, before the armistice came it was decided not to take that up, because it was determined that the output at Nitro and Old Hickory would be sufficient to supply our needs.

Mr. GRAHAM. Now, what was the situation in England as regards powder production, do you know?

Gen. WILLIAMS. No, sir; I do not. I am not familiar with the English situation. Generally speaking, their explosive program was sufficient to take care of their needs, but for their powder program they were still calling on the United States for a considerable quantity.

Mr. GRAHAM. Well, prior to our entrance into the war, I assume that most of our powder was being sold to the allied nations?

Gen. WILLIAMS. England and France, yes, sir.

Mr. GRAHAM. They were taking most of it?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. I am informed by the book called, "American Munitions," of which I think Mr. Crowell is the supposed author, that our powder production at the time the European war began was about a million and a half pounds per month, or something of that kind, but at the time we entered the war, it was about a million and a half pounds a day; do you know anything about that?

Gen. WILLIAMS. I should say those figures are approximately correct, though I doubt whether when we entered the war it was a million and a half pounds a day; I should say nearer a million and a quarter.

Mr. GRAHAM. Well, I assume that most of this powder that we were shipping to Europe during the period that we were in the war was used by the American forces; am I right about that?

Gen. WILLIAMS. Not necessarily; no, sir.

Mr. GRAHAM. Now, what proportion of it was used by our forces?

Gen. WILLIAMS. Nobody can tell.

Mr. GRAHAM. Where was it mostly shipped to, England or France?

Gen. WILLIAMS. Most of it, I should say, went to France.

Mr. GRAHAM. Well, do you know anything about how much the shipments were that were being made?

Gen. WILLIAMS. I think we can give you the figures on that. When we came into the war we took over the production of the du Pont Company and allocated to the allied nations how much they should have; we had regular allocations to the French and British.

Mr. GRAHAM. Have you the overseas shipments; the amounts of powder that were floated?

Gen. WILLIAMS. Not flotations; we have certain shipments.

Mr. GRAHAM. Well, have you the flotations within a few thousand pounds?

Gen. WILLIAMS. We can give you a reasonable statement.

Mr. GRAHAM. That is what we would like to know; something about the amount of powder we were shipping; not the amount that

was being made particularly; what we were using it for. If the Colonel has the figures, perhaps he will suggest them to you. [Addressing a question to Major Hunter.] If we call you afterwards, Maj. Hunter, could you put that into the record?

Maj. HUNTER. Yes, sir.

Gen. WILLIAMS. Now, if you have in mind the amount of powder consumed on the front by the Americans?

Mr. GRAHAM (interposing). Yes; but I won't go into that now.

Gen. WILLIAMS. I can tell you that all the powder that was consumed in artillery was British and French munitions; that we purchased, because there was practically no munitions of American make fired on the firing line.

Mr. GRAHAM. That has been our information; but we want to know something about the reason for this powder program in the United States. That is the thing I am trying to find out about now.

Gen. WILLIAMS. I think I can give you that, sir.

Mr. GRAHAM. Well, what was the reason now?

Gen. WILLIAMS. We were called upon—we were given a tabulated statement from time to time showing the number of men that were going to be in the camps and in the American Expeditionary Forces for given months. Now, then, we also knew what the organization was; had the tables of organization; knew the number of guns that we would have to supply. From the table of the raising of troops and the troop movements and the table of troop organizations specifying the number of guns we would have to supply, and the cabled requirements from the other side specifying the number of rounds per day we would have to supply we calculated our requirements. Now, then, the manufacturing program was adapted to meet those powder requirements. Now, that, of course, varied from time to time as the movement of troops they were going to raise and send to France was increased. We had a number of schedules, first calling for a million and a half, and then three million, and finally five million; so that our powder program was increasing in amount all the time.

Mr. GRAHAM. And based upon the man power of the Army?

Gen. WILLIAMS. It was based upon the munitions to supply our own troops, plus the allocation to the French and British.

Mr. GRAHAM. What was the supposed amount per man to be furnished our Army?

Gen. WILLIAMS. We never calculated in our figures a calculation of that kind.

Mr. GRAHAM. How did you calculate?

Gen. WILLIAMS. By taking a certain number of 75-millimeter guns—

Mr. GRAHAM (interposing). There would be a certain number of 75-millimeter guns for an organization?

Gen. WILLIAMS. We figured on the table. We were always told there would be a certain number of divisions, and a certain number of Army corps, and a certain number of Army organizations. Now, from the tables we would get the different number of pieces we would have to supply ammunition for.

Mr. GRAHAM. A table of organization?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. You were furnished a table of organization by the General Staff, were you?

Gen. WILLIAMS. Oh, yes; we always had a table of organization.

Mr. GRAHAM. Was that the same table heretofore shown to this committee?

Gen. WILLIAMS. I don't know what you have seen, sir. The tables I refer to are those that give the constituents of the organization of a brigade and a division of an army.

Mr. GRAHAM. Showing a certain number of guns in each division?

Gen. WILLIAMS. In each division you have a certain number of pieces of artillery. You have 748 pieces of 75 millimeter and a certain number of 155 millimeter, and then you have a certain number of corps pieces over and above the divisional artillery, and then a certain number of pieces over and above the corps artillery. Now, the number of corps and the number of armies we have to supply we can, from the table of organization, determine the number of 155 millimeter, the number of 75 millimeter, the number of 8-inch howitzers, the number of 9-inch howitzers, and so on; and from those tables of organization, taking the number of rounds per gun per day, as for instance we were required to supply 75 rounds per day for each one of the 75 millimeters.

Mr. GRAHAM. How was that arrived at?

Gen. WILLIAMS. That was specified by General Pershing; he specified that.

Mr. GRAHAM. Have you a copy of his requirements in that respect?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Let that be inserted here.

Gen. WILLIAMS. Very well.

(The matter referred to is as follows:)

[Extract from cablegram received at the War Department Jan. 18, 1918, 5.35 p. m. Confidential.]

From: London.

To: The Adjutant General, Washington.

Paragraph 6. For Chief of Ordnance. With reference to paragraph 1 your cablegram 598: 37-millimeter trench guns 10 rounds daily. On present contract French Government are supplying 50 per cent high explosives, steel shell, 45 per cent low-explosive cast iron, and 5 per cent armor piercing. Understood unofficially French have discontinued manufacture low-explosive cast iron, thus increasing high-explosive steel shell to 95 per cent. Seventy-five-millimeter field guns 50 rounds daily, proportion one shrapnel to each five high-explosive shells; one-tenth high-explosive shell should be reduced charge and nine-tenths normal charge. For 75-millimeter antiaircraft guns the proportion should be 62 per cent high explosive, 25 per cent shrapnel, 10 per cent tracer, and 3 per cent luminous shell provided the exterior ballistic with high-explosive shell equals that with shrapnel. If the present design of French ammunition is used the proportion should be 45 per cent high explosive, 24-31 fuze, 42 per cent shrapnel, 30-55 fuze, 10 per cent shrapnel tracer, 30-55 fuze, and 3 per cent luminous shell (Obus Exhalant). Fifty-eight-millimeter trench mortar five rounds daily; 20 per cent D. L. S.—35 K. G. bomb, 80 per cent L. S. S.—18 K. G. bomb; 3-inch Stokes mortar, 6-4 tenths rounds daily; 4-inch Stokes mortar gas bomb only, daily $3\frac{1}{2}$ rounds per mortar, 35 per cent being 727, 80 per cent mixture of 20 per cent 837 and 80 per cent 442, 15 per cent filled 639, and 10 per cent filled K. J. or 297, and 11 per cent filled 800. All these bombs take new Sutton fuze for 4-inch Stokes mortars. The 4.7-inch guns 20 rounds daily, 85 per cent explosive, 15 per cent shrapnel; 5-inch seacoast guns 25 rounds daily; all explosive shell, 6-inch Stokes trench mortars, 5 rounds daily; 155-millimeter howitzers 30 rounds daily, proportion 1 shrapnel to 20 explosive shell; for the explosive proportion should be 7 semi-

steel to 12 torpedo shells; 155-millimeter Filloux guns 25 rounds daily, 90 per cent high-explosive shell, 10 per cent shrapnel; 8-inch seacoast guns 15 rounds daily, all high-explosive shell; 8-inch howitzers 30 rounds daily, all high-explosive shell; 9.2-inch howitzers 20 rounds daily, all high-explosive shell; 9.5-inch howitzer 15 rounds daily, all high-explosive shell; 240-millimeter trench mortars 4 rounds daily; 10-inch seacoast gun 12½ rounds daily, all high-explosive shell; 12-inch seacoast guns 10 rounds daily, all high-explosive shell; 12-inch mortars 12½ rounds daily, all high-explosive shell. Irrespective proportions of shell shown in those cablegrams, all shells from 75-millimeter up to and including 8-inch, will be 10 per cent gas filled and one-half per cent filled with smoke material. Questionable if any smoke material will be used in 8-inch shells. May be decided later increase percentages gas and smoke. Question of increasing proportion smoke shells in 75-millimeter and 4.7-inch guns and possibly 6-inch now under consideration. Further cable when question is settled. For gas shells it may be said in general that no matter what particular kind of filling charge used the shell is the same as for high explosive, with the exception that the shoulder must be provided at base of fuze socket on which can be seated a lead and asbestos gasket to form a fluid-tight joint between the shell and the gain tube screwed therein. Ninety days' supply of fire for each type of artillery should be held in reserve in France.

PERSHING.

ORDNANCE OFFICE,
January 19, 1919.

To: Assistant Chief of Ordnance.

1. Official copy furnished.

By order of the Acting Chief of Ordnance.

H. I. CAESAR,
First Lieutenant, Ordnance Reserve Corps.

[Extract from cablegram received at the War Department July 16, 1917, 8.55 a. m.]

From: Pershing.

To: The Adjutant General, Washington.

Paragraph 6. Ammunition should be supplied as follows for first 10 divisions sent to France equipped with American calibers: 3-inch field guns, initial supply 10,000 rounds per gun and daily supply 60 rounds per day per gun; 6-inch howitzers, initial supply 6,000 rounds per gun and daily supply of 40 rounds per gun per day; Infantry rifle, initial supply 81,500 rounds per rifle and daily supply of 10 rounds per day per rifle; machine guns, heavy, initial supply 75,000 rounds per gun and daily supply of 454 rounds per gun; automatic rifles, initial supply 12,000 rounds per rifle; machine guns, heavy, of 154 rounds per rifle per day. The initial supply should in all cases be delivered in France before the guns arrive.

PERSHING.

Mr. GRAHAM. Now, then, knowing the number of organizations and the number of rounds per gun per day, as specified by Gen. Pershing, you started out to build the necessary factories to supply that amount of powder?

Gen. WILLIAMS. That amount of powder and that amount of all other things.

Mr. GRAHAM. That amount of materials?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Well, did Gen. Pershing or anybody else have regard for anything except simply the mathematical calculations? Did he take into account the shipping situation, the amount supplied other armies, and what we could get elsewhere?

Gen. WILLIAMS. Gen. Pershing's concern was that his armies should be supplied with what the French and British indicated as a proper and necessary supply. He gave us the figures and it was our business over here to see that he got the material.

Mr. GRAHAM. What I am trying to get at is, was any attention paid by anybody to the transportation proposition or the question of the desirability of making that stuff here or in the other countries?

Gen. WILLIAMS. Oh, yes; that was frequently discussed. That was a matter of constant discussion.

Mr. GRAHAM. There were, of course, existing large factories in France and in England?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Now, was the question ever considered, General, as to the desirability of adding to existing factories in England and France units by which this additional product could be prepared; was that question ever considered?

Gen. WILLIAMS. Not in just that form, Mr. Chairman. When the House Commission came over to England and France in 1917 he brought with him members of the War Industries Board and various other agencies—

Mr. GRAHAM (interposing). That is, Col. E. M. House?

Gen. WILLIAMS. Yes. He brought with him members of the War Industries Board and the various other agencies considering the question; and the question of supplying our armies was discussed in detail. The position of both the French and British was that they had of necessity built up shops that gave them a very large capacity for the manufacture of artillery and artillery munitions; they had built up shops that had a capacity in excess of their then existing needs because of the fact that they had suddenly very largely increased their armies and they had to, in comparatively short time—that is, as short time as they could—to equip those armies, so that the peak load of those factories was the turning out of the initial supply of the munitions and artillery. Once that was done and the man power had reached its height they had factories in excess of their needs, and their proposition to us was, "Here are these enormous plants; we can take on your requirements; we can turn out your material." And they proposed that they should do it to a certain extent, anyway. The question was discussed as a matter of policy, and it was decided that the United States would continue its program of production, depending meanwhile upon factories of England and France for their immediate requirements until their own factories could get into production.

Mr. GRAHAM. What I am curious to know, General, is, why was it good policy for—I can see why a reasonable production of smokeless powder was very essential for our own safety, in case, perhaps, France and England might have been invaded and the war been left on our hands.

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. But why wasn't it desirable, so long as there was no imminent danger of that sort of thing, to permit those factories to continue this production, even so far as our own forces were concerned?

Gen. WILLIAMS. We did buy from them a very considerable quantity of material, and in that we did just what you have suggested. The danger you have indicated was imminent all the time, which was indicated by two very significant things. One was the defeat of the Italians in October, in which there were captured a large amount of ~~ammunition~~ and guns. The second was when the Germans made their

attack in April, 1918, and there again captured a large number of guns, and which had to be replaced. And it was thought that it was necessary for the United States to go ahead, so that in case of continued disaster, here were these resources that would be untouched.

Mr. GRAHAM. It was planned, then, that the production of powder in the United States should be sufficient to supply the United States and the Allies in emergency?

Gen. WILLIAMS. It was planned so that it would supply the needs of the United States and the amount allocated to the Allies; not the total of the Allies' needs by any means.

Mr. GRAHAM. How much was the consumption of powder by the Allies' forces in 1918, do you know, General?

Gen. WILLIAMS. I think I can give you those figures. The British consumption ran about 1,000,000 pounds a day.

Mr. GRAHAM. And do you know what the French ran?

Gen. WILLIAMS. I should say the French ran well over that. The French had more guns on the line than the British did.

Mr. GRAHAM. And our was, I suppose, much less than either one?

Gen. WILLIAMS. Until the very last.

Mr. GRAHAM. How much were we using in the Argonne offensive, for instance?

Gen. WILLIAMS. I could not tell you, sir.

Mr. GRAHAM. And do you know whether any figures are available to show how much powder was used in the war?

Gen. WILLIAMS. We can give you that. We have approximately the amount of rounds figured by our troops in France. By multiplying the number of rounds by the number of pieces we can give you a statement of the total.

(The information asked for had not been furnished to the committee up to the time this number was sent to press, to wit, Oct. 31, 1919.)

Mr. GRAHAM. Now, do you think from your information on the subject that the consumption of powder by the English and French during the year 1918 would equal a million pounds each per day, smokeless powder?

Gen. WILLIAMS. The British were running just about a million pounds, and the French a little over a million; that is, I think about 2,000,000 pounds a day.

Mr. GRAHAM. Well, if this book that we have referred to, American Munitions, is correct, we were producing about a million and a half pounds of powder per day when we went into the war and the production at Nitro and Old Hickory would have been 3,000,000 pounds.

Gen. WILLIAMS. We would have approximately 1,000,000,000 pounds a year.

Mr. GRAHAM. We would have enough in 1918 to supply the British and French and American, to supply the whole army?

Gen. WILLIAMS. In 1919?

Mr. GRAHAM. Yes; we could have supplied the whole allied army.

Gen. WILLIAMS. According to its rate of consumption at that time; but we were providing for an Army of about 5,000,000 Americans, you see. In other words, a very much greater Army than we had in 1918.

Mr. GRAHAM. Well, how much was the estimated powder consumption for an army of 5,000,000 men under war conditions, such as then existed?

Gen. WILLIAMS. Our estimates were about 1,000,000,000 pounds a year.

Mr. GRAHAM. For 5,000,000 men?

Gen. WILLIAMS. That is my recollection. The output at Old Hickory and Nitro and the portion of the Du Pont's output that we would get would just about balance our requirements for 1919, with our Army of 5,000,000 men, three and a half million of which was to be in France and the rest of it here.

Mr. GRAHAM. Do you have any authentic figures that have been furnished from any source that show from British and French sources their consumption of powder and production of powder during the year 1918—smokeless powder?

Gen. WILLIAMS. I can give you those figures.

Mr. GRAHAM. Those are from British and French sources; I would like to have that and insert it in the record here to get some comprehension of that situation from their standpoint. By the way, do you suppose we can get that to-day or to-morrow?

Col. HARRIS. I can get it to-morrow or this afternoon.

(The information asked for was afterwards furnished by Gen. Williams and is as follows:)

AUGUST 3, 1918.

DEAR GEN. WHEELER: I hope to meet you in Paris at the forthcoming Inter-allied Munitions Council, and am sending you in advance for your private information a short note prepared in my office on the American program, from which you will see how much information we have about your plans. If this note suggests to you that we are forming wrong judgments or have incorrect information, I should be very glad if you would communicate through Sir Charles Ellis with Mr. Hanson, who has just gone out to Paris to act temporarily as British correspondent to the interallied munitions council.

Mr. Hanson, who was for two years head of the contracts department of the ministry of munitions and is now in charge of our American department, has been particularly following American developments. He is fully posted on the British position and will be able to give you any information you may require.

Yours, very sincerely,

W. T. LAYTON.

Gen. WHEELER,
Headquarters American Expeditionary Forces, France.

NOTE ON GEN. HEADLAM'S SEVENTH REPORT ON THE PRODUCTION OF MUNITIONS IN THE UNITED STATES, JUNE, 1918.

Equipment of artillery.—The following table compares the equipment of artillery per division in the American, British, and French Armies, respectively. The figures are all expressed on a divisional basis for the purpose of comparison. In the case of artillery attached to corps and armies, a divisional figure has been obtained by dividing the number of divisions in the corps and armies, respectively.

	United States of America.	Great Britain.	France.
Light natures:			
(a) Field guns.....	(43.0) 44.0	48	50
(b) Mountain guns.....			1
(c) Antiaircraft guns.....	(8.7) 3.3	6.6	11
Total.....	(51.7) 47.3	54.6	62
Medium natures:			
(a) Medium guns.....	4	8	7.2
(b) Medium howitzers.....	Nil	18	Nil
Total.....	4	26	7.2
Heavy natures:			
(a) Heavy guns.....	13.6	2.7	17
(b) Heavy howitzers.....	20	20	24
Total.....	33.6	22.7	41
Very heavy natures:			
(a) Very heavy guns.....	(7) 3.6	.5	5
(b) Very heavy howitzers.....	(9.6) 10.9	9	11
Total.....	(9.6) 14.5	9.5	16

In addition, there are a certain number of mobile 18-pounder batteries attached to armies.

The equipments of the various armies are very similar. United States of America differs from Great Britain and France in having only 4 medium guns per division, compared with 8 for Great Britain and 7.2 for France. The proposed United States of America establishment of 6-inch gun (heavy gun) approximated to that of the French and is much higher than the British. The medium howitzer is used by Great Britain alone.

Gen. Headlam in his report does not state the proposed establishment of long-range very heavy guns for the American Army. He gives a table, however, showing the estimated numbers which will be available, of which a portion are to be taken from coast defenses and the remainder are to be manufactured. The figures point to a much larger establishment than for France or Great Britain.

The following is a short summary of the proposed long range and very heavy gun program :

	Number of guns in coast defenses and Navy prior to the war allocated to A. E. F.	Guns to be manufactured.	Total number of guns for A. E. F.	Railway mountings to be manufactured.	Field mountings to be manufactured.	Total mountings for A. E. F.
16-inch howitzer.....	.....	60	60	40	.....	40
14-inch gun.....	12	120	132	66	.....	66
12-inch howitzer.....	100	90	190	151	.....	151
12-inch gun.....	18	.....	18	12	.....	12
10-inch gun.....	125	.....	125	54	.....	54
8-inch gun.....	95	32	127	62	.....	62
6-inch gun.....	171	.....	171	.....	132	132
5-inch gun.....	28	.....	28	.....	28	28

One is struck at once by the comparatively small number of guns that will be available as compared with mountings. It is true that in two cases the equipments are of the howitzer, and the life may be sufficiently long for the proposed provision of guns to be sufficient. But in the case of the 14-inch, 12-inch, and 10-inch guns, the provision of, roughly two guns per mounting, does not seem sufficient in the light of our own experience. The British Army aim at an initial provision of four guns per mounting for those natures on account of the short time that the guns can be maintained in action and the long time that it takes to repair. For example, the American propose to fire 6 rounds per gun per day for the 14-inch gun. Assuming that the life is the

same as our 14-inch gun, viz, 500 rounds, the gun would last in the line rather less than three months.

The time taken for repair in this country is at least nine months, and it is not likely that the Americans will succeed in repairing more quickly than this. In other words, the 14-inch gun will be in the line for three months and out of the line for at least nine months. If it is desired to keep the carriages available in action all the time, at least three guns per mounting must be provided. The British aim at a provision of four guns per mounting in this case. Similarly, it appears that for all long-range guns, including 6-inch and 5-inch, the proposed output of carriages is too high in view of the probable output of guns.

The figures given by Gen. Headlam of the proposed allocation to the United States Army by France and Great Britain do not correspond exactly with figures that have been supplied to us from time to time. The most serious difference is in the case of the 8-inch and 9.2-inch howitzers, where Gen. Headlam states that we have promised the Americans 93 8-inch howitzer equipments, whereas our latest promise is 202; and for the 9.2-inch howitzer, Gen. Headlam gives a figure of 187, compared with our promise of 52. The other serious discrepancy is in the case of the 155-millimeter gun. As far as we know, the French have allocated only 152, compared with a figure of 488, which, according to Gen. Headlam, have been ordered from the French.

Expenditure of ammunition.—The following table shows (a) the proposed expenditure of ammunition per gun per day by the American Army for 1919; (b) our proposed expenditure for 1919, expressed as an average for the whole year; (c) our actual expenditure during the battle period for 1918 (April–June); and (d) French expenditure during the first five months of 1918, consisting of three months' defensive and two months' offensive. (Letter from ordnance office, London, gives us 93 8-inch and 187 9.2-inch still due before January 1, 1919.)

Daily expenditure of ammunition per gun.

	United States of America, estimate for 1918.	Great Britain.		France.	
		Esti- mated expendi- ture for 1919.	Actual expendi- ture battle period 1918.	Actual expenditures.	
				1918, January- May, practi- cally all defensive.	1917 April- November offensive.
Antiaircraft.....	30	23	14	6	(?)
75 mm.....	50	39	35	21	31
4.7-inch gun.....	30	32	32	2	13
155-mm. gun.....	25	27	17	5	20
155-mm. howitzer.....	30	32	37	7	25
8-inch howitzer.....	30	23	19	.7	25
9.2-inch howitzer.....	20	16	13	.....	10
12-inch S. C. M. howitzer.....	15	4½	5½	.3	.....
9.2-inch gun.....	(?)15	7	10	.3	.....
12-inch gun.....	10	4½	2	.....	3
14-inch gun.....	6	4	(1)	.5	.....

1 Not yet in action.

The proposed American expenditure, which represents an average figure taken over the whole year, is arranged on a very generous scale. It is on the whole much higher than our own proposed average expenditure for 1919, and for the whole year approximates to our actual expenditure during the recent heavy fighting for medium and heavy natures, and is substantially higher for light and very heavy natures. The French expenditures during the first five months of this year is shown in column 4. It is extraordinarily small compared with the American estimates, but it will be remembered that no heavy fighting took place during this period. The French expenditure during the offensive period of 1917 is also shown. The figures are a little uncertain, as the returns are incomplete. They go to show, however, that the proposed United States of America program is a high one.

The Americans propose to use very little shrapnel ammunition. The percentage for their field gun is 17 per cent, for their medium gun 15 per cent, and for their heavy gun 9 per cent, compared with our own War Office requirements of approximately 35-40 per cent for the medium and heavy guns, and rather over 40 per cent for field guns.

The proposed American percentage of gas shell is 10 per cent for all natures up to and including 8-inch howitzers. This compares with our own proposed program as follows:

Percentage of chemical shell.

	United States of America.	Great Britain.	
		For offensive.	For defensive.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Field gun.....	10	10	15
Medium gun.....	10	20	30
Heavy gun.....	10	20	30
Heavy howitzers.....	10	20	30
8-inch howitzers.....	10	10	15
9.2-inch howitzers.....	NIL	10	15

The British War Office have provided two series of percentages, according to the amount that they will use for offensive and for defensive warfare. The ministry of munitions are endeavoring to provide the larger amount.

Rate of wastage of guns.—The following table compares the estimated loss per month for the United States of America with our own experience and that of the French. The figures are expressed in terms of percentage of the establishment and so are roughly comparable. It has been assumed that the United States of America figures refer to gun bodies only, and the corresponding French and British figures for guns of similar caliber have been set out in the table.

	United States of America, estimate for 1919.		Great Britain, actual figures for 1917-18.		France, actual figures for 1917-18.	
	Non-repairable wastage.	Repairable wastage.	Non-repairable wastage.	Repairable wastage.	Non-repairable wastage.	Repairable wastage.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Antiaircraft.....	2.5	8	0.5	5.5	(?)	(?)
75-mm.....	5.0	8	1	6	2	5
4.7-inch gun.....	1.3	17	1	18	.5	1.5
155-mm. howitzer.....	1.2	7.25	1.3	6	.6	1.4
155-mm. gun.....	1.2	19	1	12.5	1	3
8-inch howitzer.....	1.23	8.5	.7	6	.4	1.4
9.2-inch howitzer.....	1.3	7.5	.9	5	.5	1.3

June, 1917-May, 1918, inclusive.

The United States of America's estimates of nonrepairable wastage are in substantial agreement with our own and the French experience during the year June, 1917-June, 1918, with the exception of the field gun, where the American estimate appears to be on the high side. It should be noted, however, that the quality of the American shell is not yet up to our own, and that it is not unlikely that their wastage from prematures will at first be much heavier than our own has been during the last year. As regards repairable wastage, the proposed expenditure of ammunition must be considered in making any comparison. According to the figures in the table, the American estimate for 1919 agrees very closely with our actual experience during 1917-18, but in all cases points to a much higher rate of wastage than the French have experienced. But when the rate of expenditure is considered, the American estimates agree very closely with the French experience and appear rather low compared with our own experience. On the other hand, it must be re-

remembered that the American guns will all be new and that the wastage from wear is likely to be low during the first year's campaign. Allowing for this, the estimates put forward do not appear unreasonable in the light of our own and the French experience.

Trench mortars.—A statement rendered in January of this year by Gen. Williams gave the establishment of trench mortars for an army of 30 divisions, or 5 corps, as 720 light, 360 medium, and 120 heavy, exclusive of 4-inch Stokes or gas service. This is roughly, per division, 24, 12, and 4, against the British 4, 12, and 2.

The ammunition requirements for the United States of America are based on the following estimated average rate of expenditure per day. The British expenditure for the defensive period of 1917-18 and the battle period of 1918 is given for comparison.

Expenditure per gun per day.

	United States of America.	Great Britain.	
		Defensive, 1917-18.	Battle period, 1918.
3-inch Stokes.....	6.4	3.8	8
4-inch Newton.....	5	2.7	2.4
4.5-inch.....	4	1.2	2.4

The provision of ammunition appears to be on a rather generous scale for the two heavier mortars.

Machine guns.—The American establishment of machine guns is put at 244 heavy and 768 light per division. This is very big compared with our own divisional establishment of about 100 heavy and 300 light. The Americans are reckoning on a wastage of 8.3 per cent per month. During the winter of 1917-18 our own wastage averaged only 1 per cent per month and during the recent battle period 4 per cent per month.

Rifles.—The actual establishment of rifles per division for the American Army is to be 17,680, but, allowing for numbers on lines of communication, the total number of rifles per division is increased to 22,781. The British establishment is 11,500 per division. The wastage has been estimated at 7.5 per cent per month. The British wastage averaged roughly 4.5 per cent per month.

Small-arms ammunition.—The Americans are aiming at a reserve in France, including initial equipment, of 900,000,000 and a reserve in the United States of 212,000,000. In our own case, we aim at a reserve in France of 350,000,000 with the armies and 350,000,000 on lines of communication, making a total of 700,000,000; and 500,000,000 in this country. The proposed American reserve does not appear large when compared with these figures, in view of the distance the American troops are from their own country.

The proposed American expenditure of small-arms ammunition is huge, amounting to 204,000,000 rounds per month for an army of 30 divisions. During 1917 our expenditure in France averaged for an army of 60 divisions about 85,000,000 per month, and about 176,000,000 per month during the last 15 weeks. It must be borne in mind, however, that the American division consists of 17,500 rifles, as compared with 11,500 in our own case, and that their establishment of machine guns per division is two and a half times our own. But after due allowance is made for both these facts, the American estimate appears too high.

F. WOOD.

JULY 26, 1918.

Mr. GRAHAM. Now, you were also planning another factory at Louisville, Ky.?

Gen. WILLIAMS. But that was abandoned.

Mr. GRAHAM. When was it abandoned?

Gen. WILLIAMS. Before the armistice; I do not remember when it was taken but the question was pending when I

Mr. GRAHAM. We were not exporting any powder for small arms?
Col. HARRIS. We were going to make for both artillery and small arms.

Mr. GRAHAM. The committee knows in a general way, General, that we were using foreign-made shells mostly in our operations abroad; was that true also as to the powder—the propelling charge?

Gen. WILLIAMS. We bought the complete round so that the powder would be included. Now, that powder might, of course—a great deal of it was manufactured here.

Mr. GRAHAM. It might have been American powder that was perhaps allocated or sold by private contractors to those allied governments?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. And then the United States repurchased it from them?

Gen. WILLIAMS. Yes, sir. Probably the most of the steel in those projectiles came from the United States.

Mr. GRAHAM. This contract that was made with the allied Governments as to the division of labors by the House commission, was that ever reduced to writing?

Gen. WILLIAMS. No, sir.

Mr. GRAHAM. That was just a gentleman's understanding, was it?

Gen. WILLIAMS. Well, there was never any working agreement arrived at. We placed definite orders for materials that we wanted from them. The recommendation of Gen. Bliss, who was a member of the House commission, is on record; that was sent in a long cablegram summing up the situation. I can give you a copy of that if you would like it.

Mr. GRAHAM. It might be well. Now, does that state the substance of the agreement?

Gen. WILLIAMS. Yes, sir. There was not agreement arrived at, you understand. Propositions were made and they were cabled to this country. Now, those propositions were never definitely arrived at.

Mr. GRAHAM. They were not?

Gen. WILLIAMS. No, sir; we proceeded to place orders with the British and French.

Mr. GRAHAM. Were you over there at the time?

Gen. WILLIAMS. I was there at the time.

Mr. GRAHAM. Were you on the commission?

Gen. WILLIAMS. I was on the commission.

(The cablegram referred to by Gen. Williams was afterwards furnished by him and is as follows:)

DECEMBER 4, 1917.

THE ADJUTANT GENERAL, *Washington.*

For the Acting Chief of Staff.

All military authorities here since my arrival in England have represented with growing urgency the grave possibilities of the military situation early in 1918. This culminated in a conference between the British and French Chiefs of Staff and Gen. John J. Pershing and myself immediately after the first session of the interallied conference here in France on November 29. As a result of this conference I have submitted to the committee on maritime transportation, appointed by the interallied conference, the following communication:

"Paragraph 1. At a conference between Gen. Tasker H. Bliss, Chief of Staff of the American Army, Gen. John J. Pershing, commander in chief of the Amer-

ican Expeditionary Forces, Gen. Robertson, chief of the imperial general staff of Great Britain, and Gen. Foch, chief of the general staff of the French Army, the military situation on the western front and its requirements as to man power from the United States was carefully considered. As the result of this conference it was unanimously agreed that the United States should, as its minimum effort, send to France, as rapidly as possible, 4 complete corps of 6 divisions each, or 24 divisions in all, the last divisions to arrive not later than the end of June, 1918.

"Paragraph 2. In order to accomplish this program, and after making every possible reduction in the personnel of the divisions, in the number of animals to be transported and the amount of reserve supplies to be on hand in France not later than June 1 next, it is estimated that there must be added to the tonnage now available for the transportation of American troops, 1,500,000 gross tons by January 1, 1918; 300,000 gross tons by March 1, 1918; and 200,000 gross tons by June 1, 1918; or 2,000,000 gross tons in all. The foregoing is presented to the committee on maritime transportation with the earnest request that it receive immediate and most careful consideration. For any assistance that they may be able to give, Gen. Tasker H. Bliss and Gen. John J. Pershing place themselves at the disposal of the committee. (Tasker H. Bliss, General, Chief of Staff of the American Army.)"

I assume that the transportation thus made available will continue to bring troops until at least the Fifth Corps, making a total of at least 30 divisions, shall have arrived in France by the end of the summer. The military situation for 1918 is undoubtedly critical and grave. All chiefs of staff of the armies of the western front and the representatives of the commanders in the field at the conference here urge that the United States must be prepared to make a great effort as early in the year as possible. With this end in view and in order to insure the equipment with artillery and ammunition of the American troops as fast as they arrive in France, the ministers of munitions of France and England and Perkins, representing the United States, have exhaustively examined the situation and adopted the following resolutions for their respective Governments: "The representatives of Great Britain and France state that their production of artillery (field, medium, and heavy) is now established on so large a scale that they (are) able to equip completely all American divisions as they arrive in France during the year 1918 with the best make of British and French guns and howitzers. The British and French ammunition supply and reserves are sufficient to provide the requirements of the American Army thus equipped at least up to June, 1918, provided that the existing 6-inch shell plants in the United States and Dominion of Canada are maintained in full activity and provided that the manufacture of 6-inch howitzer carriages in the United States is to some extent sufficiently developed. On the other hand the French and to a lesser extent the British require as soon as possible large supplies of propellants and high explosives, and the British require the largest possible production of 6-inch howitzers from now onward and of 8-inch and 9.2-inch shell from June onward. In both of these matters they ask the assistance of the Americans. With a view, therefore, first to expedite and facilitate the equipment of the American armies in France and, second, to securing the maximum ultimate development of the ammunition supply with the minimum strain upon available tonnage, the representatives of Great Britain and France propose that the American field medium and heavy artillery be supplied during 1918 and as long after as may be found convenient from British and French gun factories, and they ask (A) that the American efforts shall be immediately directed to the production of propellant and high explosives on the largest possible scale, and (B) Great Britain also asks that the 6-inch, 8-inch, and 9.2-inch shell plants already created for the British service in the United States shall be manifested in the highest activity and that large additional plants for the manufacture of these shells shall at once be laid down.

In this way alone can the tonnage difficulty be minimized and potential artillery development both in guns and shells of the combined French, British, and American armies be maintained in 1918 and still more in 1919.

With regard to very heavy artillery and certain special classes of long-range guns the representatives of France and Great Britain recommend a separate and original manufacture by the United States. They also recommend that the existing production of 8-inch and 9.2-inch howitzer equipment in the United States shall be continued.

Finally, if the above general principles are approved by the Governments of the three countries, the precise measures of manufacture and supply, with programs and time tables, shall be converted by a technical commission composed of representatives of the three great powers concerned.

Paragraph 3. The situation will be quite different in 1918 from what it has been in 1917. In 1917 the British and French gun and howitzer output has been below the ammunition supply. In 1918 the reverse will be true. The situation as to guns and ammunition supply and capacities now are as follows: The French can and are willing to supply the American Army as it arrives in Europe with its full quota of 75-millimeter field guns and with adequate supplies of shells for this size, provided that the United States furnish raw materials propellants and explosives in advance. The British have capacity to manufacture 6-inch howitzers sufficient to supply their own needs and to supply the American Army as it arrives in Europe with its full quota if United States can supply 400 carriages for such howitzers. The British have not sufficient 6-inch shell capacity to supply their own requirements, to say nothing of American requirements unless the supply of such shells which they have been obtaining from United States and Canada is continued at least to the extent available before United States entered the war. That is to say, the British have relied upon getting this shell from United States and Canada and have concentrated upon increasing their supply of this howitzer and need this shell to carry out the 1918 program. The British have reserves of propellants and explosives sufficient to complete United States full quota 6-inch shell if American Army should adopt that howitzer, provided that United States can replenish those reserves beginning July 1, 1918. The French capacity for making 155-millimeter howitzer and shells is sufficient to enable France to supply the American Army as it arrives in Europe with its full quota for 1918 of both howitzers and shells of this size, provided that the raw materials for both howitzers and shells and propellants and explosives are furnished in advance by United States. Inventory shows requirements due to recent losses must, however, be met either by British or French to a very substantial amount. The British can furnish 8-inch and 9.2-inch howitzer to equip the American Army for 1918 as it arrives. They urge continuance of American activities in the manufacture of howitzers and shells of these sizes. I am satisfied that only by coordination of all available capacities in the three countries can American troops here and troops of British and French be fully equipped for the great effort necessary in 1918, and urge that development of independent American program be subordinated to the making of this effort.

Paragraph 4. Specifically it is recommended that (a) sufficient 75-millimeter field guns and ammunition be purchased from the French to equip the first 30 divisions sent to France. The home program for manufacture of this material should be continued. The home output for 1918 will probably all be required for equipping and training of troops at home. The home manufacture of 75-millimeter ammunition should be expedited as far as possible and troops in France supplied from home as soon as home production is on an assured basis. (b) That the factories of the United States and Dominion of Canada heretofore engaged in the manufacture of British 6-inch Howitzer ammunition be continued indefinitely and extended if necessary to meet British requirements. This is of vital importance as these shells are essential to 1918 campaign from every point of view. Serious consideration should even now be given to the question of our adoption of the British 6-inch howitzer in place of the French 155-millimeter howitzer. The answer must depend to a large extent upon the extent to which American program for manufacture of 155-guns and shell has advanced. British and French are agreed that one howitzer is substantially as easy to make as the other. French are confident we shall have no difficulty in manufacture of shell. British have had difficulty in making French shell and fear that we will, whereas they point out that we have been making British shell for several years with great success and have men as well as plants that have proved they can turn them out. We can not urge too strongly the importance of producing the largest possible amount of shells of this size and recommend that the amount of shell which can certainly be produced be given great weight in determining type to be adopted. Subject to your decision as to type we recommend that sufficient howitzers to the type selected be purchased from the French or the British to equip the first 30 divisions to arrive in France. We now have bought 260 155-howitzers from the French and must start with these. Home manufacture of the piece selected and its ammunition should be continued, the 1918 output being used for the equipping and training of troops at

home. When the home output of ammunition is on an assuring basis troops in France should be supplied with ammunition from home sources. If the British 6-inch is adopted provision should be made also for developing the manufacture of British 6-inch howitzer carriages in the United States to the extent of 400 for the year 1918. (c) Sufficient 155-millimeter Ellison guns and ammunition for the first 50 (30) divisions to arrive in France should be purchased from the French. Home manufacture of this piece and of the 4.7 guns and of ammunition for both these pieces should be developed energetically. No guns of these calibers are obtainable from British sources. (d) Concerning heavy howitzers of the 9.5-inch type the outright adoption of the British 8-inch and 9.2-inch howitzers is considered imperative. These calibers are of great and increasing importance. There is no hope of home production of 9.5-inch howitzers before 1919. Sufficient 8-inch and 9.2-inch howitzers can and should be obtained from British sources to equip the first 30 divisions to arrive in France. The existing capacity for manufacture of British 8-inch and 9.2-inch howitzers in the United States must be continued and existing plants for the manufacture of ammunition for these pieces must be maintained and others laid down in order to insure a sufficient supply of ammunition not only for our own needs but to provide a part of the needs of the British. Present plans for the manufacture of 9.5-inch howitzer should be entirely subordinated to the production (e) Boxes of trench mortars and ammunition of British Stokes 3-inch, 4-inch Stokes and 240-millimeter type are obtainable from the British and French sources to meet American demands until these demands can be supplied from home sources. Particular efforts should be made to insure a sufficient supply of 6-inch Newton Stokes ammunition and 240-millimeter mortar shells and ammunition. (f) With regard to other weapons, especially those of the 12-inch, 14-inch, and 16-inch calibers, it is suggested that efforts be made to secure these calibers to whatever extent possible from home sources to supply our own needs and of secondary importance to the British and French.

Paragraph 1. The following is a summary of the results of the work done by the Ordnance Department in the United States and in France and in the British Isles during the year 1917.

Paragraph 2. The following is a summary of the results of the work done by the Ordnance Department in the United States and in France and in the British Isles during the year 1917.

Paragraph 3. The following is a summary of the results of the work done by the Ordnance Department in the United States and in France and in the British Isles during the year 1917.

Paragraph 4. The following is a summary of the results of the work done by the Ordnance Department in the United States and in France and in the British Isles during the year 1917.

Paragraph 5. The following is a summary of the results of the work done by the Ordnance Department in the United States and in France and in the British Isles during the year 1917.

the 3-inch Stokes mortar and ammunition for those pieces; and for the 8-inch Stokes mortar and ammunition for those pieces. From the French we bought the Hotchkiss guns and ammunition, and the Chauchat rifles. And the 155-millimeter howitzers and 155-millimeter guns and the 240-millimeter French mortars.

Mr. GRAHAM. Now, were you definite in your purchase orders as to the ammunition you desired?

Gen. WILLIAMS. Oh, yes; always definite as to number of things we wanted and the items.

Mr. GRAHAM. Now, do you now recall, General, what amount of ammunition you did purchase for those various types of guns?

Gen. WILLIAMS. I can give you approximate figures.

Mr. GRAHAM. Perhaps it will shorten the matter if I refer to particularly what I had in mind. Did you purchase a supply that would last for any particular period?

Gen. WILLIAMS. Of course, when the orders were placed for those in the beginning it was difficult to specify any particular period. We were looking to the equipment of troops as they came along and supplying ammunition at the rate Gen. Pershing called for. Now, as a matter of fact, before the House Commission came over there and just about the time we got to Paris the Ordnance Office here in Washington had taken up the matter of purchasing 75-millimeter guns and the 155 howitzers with the French High Commission, and in July, 1917, they placed orders for over 600 of the 75-millimeter guns and about 240 or 250 of the 155 howitzers. In the same month they placed orders for 8,000,000 rounds of the 75, and 1,000,000 rounds of the 155. So that the orders that were placed in Washington was greater than the total consumption of the American Expeditionary Forces in France, and the orders placed at the same time for other material was just about equal to the consumption of the American Expeditionary Forces in France.

Mr. GRAHAM. Now, those were the French orders?

Gen. WILLIAMS. Those were for the French pieces.

Mr. GRAHAM. Do you remember now how many rounds of ammunition were ordered from the British Government?

Gen. WILLIAMS. I can not give you the figures for that. The order for 8-inch howitzers and 9-inch howitzers, there were several of them calling for a number of them in this order, and probably in that order the ammunition order was placed in the same way. We have, however, a record of those orders.

Mr. GRAHAM. I wish you would insert it in the record at this place, showing the amount ordered from both the French and English Governments from time to time.

Gen. WILLIAMS. Yes, sir.

(The information here called for was afterwards furnished by Gen. Williams and is as follows:)

MAY 15, 1919.

From: Ordnance Office, Washington, D. C.

To: Office of Chief Ordnance Officer, American Expeditionary Forces.

Subject: Orders placed in Europe for Artillery ammunition.

1. Transmitted herewith are two copies of a special report prepared by the Statistical Section, Administration Division, showing best available records in this country as to principal individual contracts placed with the French and British for Artillery ammunition. It is requested that this report be compared with the American Expeditionary Forces' records and errors and omissions of any importance be called to the attention of this office.

2. Records in this country are incomplete particularly with reference to the early orders placed prior to the "POOD" series known as "W O's," "D O's," etc. A list of all these early orders showing item, order number, date, quantity, etc., would be of great value to this office in completing its records.

3. It is also requested that when final settlements are agreed upon in case of an important item as to the total deliveries, this information be summarized and incorporated if possible in routine reports. This information is desired on all classes of ordnance matériel, but particularly in the case of ammunition.

W. S. PEIRCE,

Brigadier General, Acting Chief of Ordnance, United States Army.

[First Indorsement.]

JUNE 14, 1919.

From: Chief Ordnance Officer, Headquarters Services of Supply, American Expeditionary Forces.

To: Chief of Ordnance, Washington, D. C.

1. Returned with information that in reference to paragraph 1 his report is correct and includes all principal orders for ammunition.

2. In reference to paragraph 2, this office has no record of any orders placed prior to the "P O O D" series known as "W O" and "D O" requisitions; this series having been placed to cover agreements entered into in the United States. For example, W. O. 10 with its amendments as to gas shell covers the agreement for 75 millimeter matériel between the Chief of Ordnance and the French high commission in July, 1917. This office has no copy of the original order D. O. 6, but it is known that this order covered ammunition for 12 batteries of 75-millimeter guns and 6 batteries of 155-millimeter howitzers. The W. O. 18 covers the letter of June 8, 1917, from Gen. Crozier to Capt. Tardieu, copy attached. It should be noted that the numerical sequence of W. O. and D. O. requisitions does not follow the order in which agreements were entered into in the United States.

3. All of these orders are regarded as being closed, although signed cancellation agreements on all of them have not yet been received. Bills which are now being receipted to cover ammunition delivered in the field direct from dumps are not now being charged against any requisitions.

4. No routine reports are being issued, due to closing out of work and decrease of personnel. It is therefore requested that if deliveries against any particular requisition or deliveries of a certain item are considered essential that this office be advised as to the particular requisition or item on which data are desired.

J. H. RICE,

Brigadier General, Ordnance Department, Chief Ordnance Officer.

MAY 10, 1919.

From: Ordnance Department, Administration Division.

To: Monte Appel, acting special representative of the Secretary of War, Room 3075 Munitions Building (attention H. K. Urion).

Subject: Foreign orders and deliveries of artillery ammunition.

1. The report requested in letter of April 29 is transmitted herewith, showing detailed information, as recorded in the office of the Statistical Section, Administration Division, in regard to principal individual contracts for Artillery ammunition placed with the French and British and deliveries on same as far as known.

2. It is understood that this is to be used as a basis for a preliminary study of our obligations in the way of replacement of raw materials. It is to be noted that in the case of most French orders sufficient data is not yet available to summarize the "total deliveries per final settlement."

3. It is the intention of this office to transmit a copy of the report to the Chief Ordnance Officer, American Expeditionary Forces, with the request that the data be checked with their records and revised accordingly.

W. S. PEIRCE,

Brigadier General Acting Chief of Ordnance.

By W. W. GIBSON,

Colonel, Ordnance Department, United States Army.

FOREWORD.

MAY 8, 1919.

The attached report was compiled at the request of the special representative of the Secretary of War and represents mainly a transcript of the records in this office of principal individual orders for artillery ammunition placed with the French and British. The records of the statistical section, administration division, are based on copies received from overseas of the "P. O. O. D." orders written in the office of the chief ordnance officer, A. E. F., up to and including April 14, 1919.

The information contained in these "P. O. O. D." orders and the subsequent letters of amendment, etc., has been supplemented by data received in cables, special letters, and routine statistical reports. The information received regarding each order in postarmistice letters is shown separately in the report in order to indicate, as far as known, the progress of formal negotiations toward a final settlement.

The lack of data sufficient to permit a summary by items of the final obligations to the French as agreed upon, is apparent. This situation is due partly to incompleteness of the records of this office, and perhaps also to difficulties which the A. E. F. faced in assembling and checking their records and estimates of the deliveries made at the front direct from French depots.

The "Quantity delivered in depots to April 1, 1919st" is taken from the "A. E. F. semimonthly statement as of record April 1, 1919." The "Total quantity French orders are indicated in the extracts shown from postarmistice letters.

A copy of the report is to be transmitted to the A. E. F. for correction with their records, and with the request that as soon as final settlements are made on each item, the information be summarized and incorporated in their routine statistical reports.

L. A. ABBOT,

Captain Ordnance Department, United States Army.

ORDNANCE DEPARTMENT, ADMINISTRATION DIVISION, STATISTICAL SECTION.

Record of foreign orders and deliveries on artillery ammunition.

Item.	From.	Date.	P. O. O. D.	Quantity ordered.	Quantity delivered in depots Apr. 1, 1919.	Total quantity delivered (final settlement).	Additional information in regard to orders.	Cancellations reported, accepted, etc. (information received in postarmistice letters of chief ordnance officer, A. E. F.)
Ammunition for 6-pounder gun for tanks.	British.	Oct. 4, 1918	5671	700,000	No report.			
Do.	do.	do.	5671	100,000				
37 mm. gun shells, H. E.	French.	Sept. 5, 1917	W. O. 17	1,000,000	151,000		Case shot. High explosives, part of original order for 2,000,000 rounds. Distribution shown on report Sept. 1, 1918.	Reported canceled (letter Dec. 28, 1919). Do.
37 mm. gun shells, L. E.	do.	do.	W. O. 17	900,000	833,000		Low explosives, part of original order for 2,000,000 rounds. Distribution shown on report Sept. 1, 1918.	Cancellation requested of undelivered balance (letter Jan. 4, 1919). Cancellation accepted (letter Feb. 1, 1919). Difference of 1,206,714 rounds 37 mm. ammuni-

37 mm. ammunition for tanks.	Do.	Do.	Do.	Aug. 21, 1918	W. O. 17.	100,000	100,000	100,000	Armor piercing. Part of original order for 2,000 rounds. Distribution shown on report Sept. 1, 1918. Armor piercing. (Cbus de rupture, for 6 months' use is.	Cancellation requested of undelivered balance (letter Jan. 4, 1919). (Cancellation accepted) of undelivered balance of 20,000 rounds 37 mm. ammunition (letter Feb. 7, 1919).
37 mm. ammunition for tanks.	Do.	French.	Do.	Sept. 11, 1918	5081.	40,000		Noreport.	Case shot. "Boites a mitrailleuses." If impossible to get 15 per cent of "Boites a mitrailleuses" will accept H. F. or other 37 mm. For use with tanks bought in August 144, September 72.	Cancellation requested of undelivered balance (letter Jan. 4, 1919).
Do.	Do.	Do.	Do.	Sept. 25, 1918	5081.	279,200			"Cbus explosifs," for use with tanks bought in August 144, September 72.	
Do.	Do.	Do.	Do.	Sept. 25, 1918	5497.	30,000			H. F. Placed to confirm previous request. (Cbus explosifs.	
Do.	Do.	Do.	Do.	Sept. 25, 1918	5497.	6,000			Cast-iron shells; placed to confirm previous request. (Cbus en fonte.	
Do.	Do.	Do.	Do.	Sept. 25, 1918	5497.	1,440			Shrapnel shells; placed to confirm previous request. (Cbus a bal ex.	
5 mm. H. E. shell.	Do.	French.	Do.	July 12, 1917	W. O. 10.	6,450,000		984,700	Normal charge. Original order for 6,050,000 shell distributed in Report of A. E. F. Sept. 1, 1918. (Cable 800-1, Mar. 28, 1918, gives notice of 200,000 gas only.)	Cancellation of undelivered balance accepted. (Letter Feb. 21, 1919.) Delivered to Jan. 6, 1919, include 5,380,305 rounds of 75-mm. ammunition. (Letter Feb. 21, 1919.)
Do.	Do.	Do.	Do.	June 4, 1918	2979.	601,225			Reduced charge. Original order was 302,425. (First request was for 200,883 under W. O. 10, but could not be applied on that order.)	
Do.	Do.	Do.	Do.	Mar. 25, 1918	2027.	914,208			Written with understanding that negotiations were made in Washington. Acceptance first reported doubtful in letter from Chief Ordnance Officer, Apr. 15, 1918. No copy of order received.	"Liquidated" and removed from records per letter Nov. 18, 1918. (Cancellation was never made.)
Do.	Do.	Do.	Do.	Do.	D. O. 6.	No data.				Cancellation accepted of undelivered material, including 272,640 rounds of 75-mm. ammunition. (Letter Jan. 25, 1919.)

Never accepted.

Amended July 19, 1918.

Record of foreign orders and deliveries on artillery ammunition—Continued.

Item.	From.	Date.	P. O. O. D.	Quantity ordered.	Quantity delivered in depots Apr. 1, 1919.	Total quantity delivered (final settlement).	Additional information in regard to orders.	Cancellations reported, requested, accepted, etc. (Information received in postarmistice letters of chief ordnance officer, A. E. F.)
5 mm. H. E. shell.	French		W. O. 18.	No data.			No copy of order received.	Cancellations accepted of undelivered material, including 1,000 rounds of 75-mm. ammunition. This order was for 1-155-mm. Howitzer, 1-75-mm. crm., 1-155-mm. gun and 1-75-mm. ammunition. (Letter Feb. 20, 1919.)
75-mm. shrapnel	French	July 12, 1917	W. O. 10.	1,350,000	540,100		"With fuse." (This is part of original order for 8,000,000 75-mm. ammunition.)	See memorandum in regard to cancellations accepted and deliveries made. Letter Feb. 21, 1919. (Under H. E.)
Do	do	Mar. 25, 1918	2027	1,214,136			Authority to buy in Cable A-790, Feb. 15. Never confirmed. Order never accepted. Doubtful status for several months (see letter from A. E. F. dated Apr. 15, 1918). A. E. F. reports never included the item.	"Liquidated" and removed from records per letter Nov. 18, 1918. (Cession was never made.)
75-mm. gas shell (including smoke).	French	July 17, 1917	W. O. 10.	200,000	6,700			See memorandum in regard to cancellations accepted and deliveries made. Letter Feb. 21, 1919. (Under H. E.)
Do	do	Mar. 25, 1918	2027	1,107,568			Part of original order for 8,000,000. A. E. F. report of May 1, 1918, gave "10 per cent gas" of 6,450,000 shell order, but cable P-800-1-C, Mar. 28, 1918, and later A. E. F. reports show 300,000 gas.	
Do	do	Aug. 19, 1918	4508	476,000			Authority included in cable A-790. Order reported doubtful in A. E. F. letter Apr. 16, 1918. Never appeared on A. E. F. reports (with Model 1916 L. A. E. 2/31 fuses). (No. 5, 7, and 9 gas shells). Dropped. Never accepted.	"Liquidated" and removed from records per letter Nov. 18, 1918. (Cession was never made.)
Do	British						Converted from 3-inch Russian shells; complete except fuses. Modification in England. Gas for 271,000 to come from United States.	Undelivered balance, reported, canceled Mar. 6, 1919, and Mar. 17, 1919.

Do.	French.	Oct. 16, 1918	6132.	1,800			For instruction of American Artillery school at Reims.	Cancellation requested (letter Dec. 17, 1918). Cancellation accepted (letter Jan. 15, 1919). No deliveries made on the order.
75 mm. A. A. H. E. shell.	do.	Jan. 22, 1918	918.	135,000	0		"Obus explosifs" 45 per cent of 300,000 rounds 24/31 fuse (time only).	Cancellation of undelivered material requested (letter Dec. 17, 1918).
75 mm. A. A. shrapnel.	do.	do.	938.	135,000	20		45 per cent of 300,000 rounds with 30/55 fuse (time only).	Do.
75 mm. A. A. tracer "shrapnel tracer."	do.	do.	938.	21,000	500		7 per cent of 300,000 rounds with 30/55 fuse (time only).	Do.
75 mm. A. A. illuminating shell.	do.	do.	938.	9,000	90		"Luminous shell" 3 per cent of 300,000 rounds.	Do.
155-mm. gun, H. E. shell.	French.	Dec. 10, 1917	390.	105,000	25,500		O. A. A. L. obus enclader. Mod. 1914 avec deux ceintures. (Elongated steel.)	Cancellation requested of all undelivered material on 390. (Letter Dec. 20, 1918.)
Do.	do.	do.	936.	105,000			O. A. obus enclader. Steel. Mod. 1915 avec deux ceintures.	
Do.	do.	do.	936.	140,000			P. A. obus en fonte acierie. Semi steel. Latest model (avec deux ceintures).	Reply requested to letter Dec. 20, 1918. (Letter Apr. 9, 1919.)
Do.	do.	Mar. 27, 1918	2033.	1,090,000			P. O. 390 also calls for 350,000 powder charges and 350,000 24/31 fuses. (Complete rounds. Blanket order, 10 per cent gas, 0.5 per cent smoke. With 1,080,000 powder charges and 1,188,000 primers (V 2 M 1917). Doubtful order. Never appeared on A. E. F. reports. Not accepted per A. E. F. letter of Apr. 15, 1918.	"Liquidated" and removed from records per letter Nov. 16, 1918.
155-mm. gun smoke shell.	French.	Feb. 19, 1918	1453.	1,750	0		"Obus fumigènes" for G. P. F. guns. (Deliveries unobtainable.) Canceled per letter (A. E. F.) on file Sept. 6, 1918.	Not formally canceled till about Nov. 1, 1918. (A. E. F. letter Dec. 5, 1918.)
Do.	do.	Feb. 19, 1918	1453.	35,000	0		Gas filled for G. P. F. guns. Canceled per letter Sept. 6, 1918, as impossible to obtain deliveries.	Do.

: Types B and D.

: Never accepted.

Record of foreign orders and deliveries on artillery ammunition—Continued.

Item.	From.	Date.	P. O. O. D.	Quantity ordered.	Quantity delivered in deposits April, 1919.	Total quantity delivered (final settlement).	Additional information in regard to orders.	Cancellations reported, requested, accepted, etc. (Information received in postmaster's letters of chief ordnance officer, A. E. F.)
125-mm. howitzer H. E. shell.					1 403,700			Cancellation of undelivered balance accepted. (Letter Feb. 21, 1919.) Delivered to Jan. 6, 1919 include 831,540 rounds 155-mm. ammunition. (Letter Feb. 21, 1919.)
Do.	French.	July 12, 1917	W. O. 10.	500,000			(O. A. steel. Part of original order for 1,000,000 155-mm. howitzer (4 low-propelling and 4 high-propelling). Fuses ordered separately.	
Do.	do.	do.	W. O. 10.	350,000			F. A. Semisteel. Part of original order for 1,000,000 165-mm. howitzer (4 low-propelling and 4 high-propelling).	
Do.	do.	Mar. 25, 1918	2,025.	\$ 481,300			304,000 "Torpedo," 177,300 semisteel, powder charges, primers, etc., ordered separately. Doubtful order (A. E. F. letter Apr. 15, 1918). Never appeared on A. E. F. reports. No copy of order received.	"Liquidated" session refused. (Letter Nov. 18, 1918)
Do.	do.		D. O. 6.	No data.				Cancellation accepted of undelivered balance, including 65,040 rounds of 155-mm. howitzer ammunition. (Letter Jan. 25, 1915.)
Do.	do.		W. O. 18.	No data.			do.	Cancellation accepted of undelivered balance, including 1,000 rounds of 155-mm. howitzer (long) and 1,000 rounds of 155-mm. howitzer (short). This order was for 1-75-mm. gun, 1-155-mm. gun, 1-155-mm. howitzer, and "certain ammunition." (Letter Feb. 20, 1919.)
155-mm. howitzer shrapnel.					5,000			See memorandum in regard to cancellations accepted and deliveries made. (Letter Feb. 21, 1919. (Under H. E.)
Do.	French.	July 12, 1917	W. O. 10.	50,000			Complete. Part of original order for 1,000,000 155-mm. howitzer rounds.	
Do.	do.	Mar. 25, 1918	2,025.	\$ 26,800			Authorized by cable A-790, Feb. 15, 1918, "Doubtful." Never accepted. (Letter A. E. F., Apr. 17, 1918.)	
155-mm. howitzer gas shell.					0			

See memorandum in regard to cancellations accepted and deliveries made, latter Feb. 21, 1919. (Under H. E.)

Reported canceled (letter Jan. 4, 1919).

Do	French	July 12, 1917	W. G. 10	40,000			
Do	do	Mar. 27, 1918	2,026	\$ 27,500			
6-inch gun ammunition	British	{Oct. 22, 1918 {Oct. 29, 1918	{Stettinius Cable 607-1. {6398			\$ 50,000	

* Types B and D.

* Never accepted.

* Computed per Cable P-2246-2, Mar. 18, 1919.

Part of original order for 500,000 120-mm. shells, Cable P-423-10, Mar. 26, 1918, first indicated amount of gas.

Authorized by Cable A-790, Feb. 15, 1918 (approximately 500,000 rounds blanket order). "Doubtful." Never accepted (A. E. F. letter, Apr. 15, 1918).

{24,000 January; 40,000 February; 50,000 March; and each month thereafter.

Post-armistice negotiations for settlement:

Voluntary proposal of British: Stettinius Cable 607-1, Dec. 13, 1918: Involved payment for 44,000 rounds (i. e., amount due to Feb. 15, 1919) (except loading cost).

Second proposal obtained: Stettinius Cable 607-3, Dec. 13, 1918: Involved compensation for 500 rounds per gun unit, of which there were 88 originally and 32 additional units under second proposal, i. e., 60,000 rounds altogether (120×500=60,000).

Cable S-329-7, Jan. 17, 1919: "Negotiations provide for delivery of 60,000 rounds 6-inch gun ammunition."

Cable X-506-3, Feb. 15, 1919: The above proposals apparently hold, and 60,000 rounds 6-inch gun ammunition probably to be delivered (all to be shipped to United States as components, unassembled and unloaded).

Cable P-2246-2, Mar. 18, 1919 (Parker U. S. Liaison Com.): United States to receive and pay for 50,000 rounds (components) for 6-inch gun (basis 500 rounds per gun.)

Record of foreign orders and deliveries on artillery ammunition—Continued.

Item.	From.	Date.	P. O. O. D.	Quantity ordered.	Quantity delivered in depots Apr. 1, 1919.	Total quantity delivered (final settlement).	Additional information in regard to orders.	Cancellations reported, requested, accepted, etc. (Information received in postarmistice letters of chief ordnance officer, A. E. F.)
6-inch howitzer ammunition.	British....	{Oct. 22, 1918 Oct. 29, 1918}	{Stettinius Cable 568-1. (6392).....}	.....	.....	0	(240,000 rounds monthly beginning November. Post-armistice negotiations for settlement: Voluntary proposal of British: Stettinius Cable 607-1, Dec. 13, 1918: British ministry proposed voluntarily to cancel 101 of the 302 howitzers and release us from "Obligations in regard to ammunition therefor." Second proposal obtained, Stettinius Cable 607-3, Dec. 13, 1918: Involves release from all obligations for 6-inch howitzer ammunition. Cable X-506, Feb. 15, 1919: Stettinius new agreement evidently cancels all 6-inch howitzer ammunition (similar to above proposals). (18,000 November, 80,000 December, 100,000 January, 130,000 February, 160,000 March and each month thereafter. Post-armistice negotiations for settlement: Voluntary proposal of British, Stettinius Cable 607-1, Dec. 13, 1918. Involves payment for 203,000 rounds (except loading cost) 60-pounder gun ammunition (1 1/2 amount due to Feb. 15, 1919); 48,000 complete rounds, 245,000 shell and components (letter British ministry, Dec. 13, 1918). Second proposal obtained, Stettinius Cable 607-1, Dec. 13, 1918, involves release from all obligations	Reported canceled (letter Jan. 4, 1919).
60-pounder gun ammunition.	British....	{Oct. 22, 1918 Oct. 29, 1918}	{Stettinius Cable 568-1. (6391).....}	.....	.....	510,000		Do

Do.

8-inch howitzer H. E. shell					319,000	488,000	<p><i>Trans for 82-pounder gun amm.</i></p> <p>Cable N 586-2, Feb. 16, 1919, states reports tentative agreement whereby 310,000 rounds of 60-pounder gun ammunition (including at least 20,000 rounds H. E.) are to be exchanged for 90,000 rounds 9.2-inch howitzer ammunition (British made) now in France. At least 67,000 rounds 60-pounder ammunition to be shipped United States assembled. Balance as components (unassembled and unloaded).</p> <p>Cable P-2246-2, Mar. 18, 1919 (Parler, U. S. 1st Com.); United States to receive and pay for 133,000 rounds (components) and 67,000 rounds complete. Verbal agreement also reached whereby United States would exchange 90,000 rounds British 9.2-inch ammunition for 310,000 rounds 60-pounder gun ammunition (50,000 H. E. and 260,000 shrapnel).</p>
Do.	British...	(Nov. 22, 1917 May 18, 1918)	2504 Cable P-1146-1-D; reports May 1.	340,328			<p>No copy of order on file. Evidently 270,000 rounds (approximate) 8-inch or 9.2-inch authorized in Cable A-790, Feb. 15, 1918, was applied on this order.</p>
Do.	do.	(Oct. 29, 1918 Oct. 22, 1918)	6324 Stettinius Cable 588-1.	180,000			<p>(80,000 November; 100,000 December; probably superseded; undelivered portion of P. O. D. 253 amounting from 40,000 to 50,000 rounds.</p>
Do.	do.	Oct. 17, 1918	6161	330,000			<p>Superseded by P. O. D. 6394, Oct. 29, 1918.</p> <p>Post-armistice negotiations for settlement:</p> <p>Voluntary proposal of British, Stettinius Cable 607-1, Dec. 13, 1918. Involved payment (excluding loading cost) for 8-inch and 9.2-inch howitzer ammunition due prior to Dec. 31, 1918. Estimated 170,000 complete rounds. Letter British ministry, Dec. 13, 1918.</p>

¹ Computed per Cable P-2246, Feb. 18, 1919.

² Computed per Cable P-2246, Mar. 18, 1919.

³ Canceled.

Record of foreign orders and deliveries on artillery ammunition—Continued.

Item.	From.	Date.	F. O. O. D.	Quantity ordered.	Quantity delivered in depots Apr. 1, 1919.	Total quantity delivered (final settlement).	Additional information in regard to orders.	Cancellations reported, requested, accepted, etc. (Information received in post-armistice letters of chief ordnance officer, A. E. F.)
8-inch howitzer H. E. shell	British....	Oct. 17, 1918	6161.....	330,000.....			Post-armistice negotiations for settlement—Continued. Second proposal obtained, Stettinius Cable 607-3, Dec. 13, 1918: Involved compensation four 8-inch howitzer ammunition scheduled for delivery in November and December less actual delivery in November (either complete or in components for shipment to the United States). Would buy components at small per cent of cost (scrap value). Cable S-829-7, Jan. 17, 1919: Negotiations provide for delivery of 150,500 rounds 8-inch howitzer ammunition. Deliveries in November and December per A. E. F. weekly reports (180,000—30,900=149,100). Cable X-506-3, Feb. 15, 1919: Apparently agreement for delivery of November and December schedule holds and total deliveries will be 159,500 rounds plus deliveries to Jan. 1, 1919. Cable P 2246-2, Mar. 18, 1919: Parker (U. S. Liq. Com.) United States will receive and pay for 170,000 rounds (components). Gas shells loaded N. C. or B. A. Not to be purchased. Issued to complete files, per memo. from London. Gas shells, filled W. F. or T. I. C 14. Not to be purchased. Issued to complete files, per memo. from London. No copy of order on file. (Cable A-90, Feb. 13, 1918, authorized about 270,000 rounds 8-inch and 9.2 inch, which evidently was applied on this order.)	
Do.....	.....do.....	Feb. 11, 1919	7198.....	19,000.....				
Do.....	.....do.....	.....do.....	7198.....	1,000.....				
9.2-inch howitzer H. E. shell					108,000	118,000		

Reported cancelled (letter Jan
4, 1919).

Do.....	British.....	Nov. 24, 1917 May 18, 1918	2401 Cable P-1146- 12. Report May 1.	84,420			
Do.....	do.....	Oct. 20, 1918 Oct. 22, 1918	8386 Stettinius ca- ble 8386-1.	80,000			20,000, November: 50,000, December; { preliminary agreement.
Do.....	do.....	Oct. 17, 1918	8101	150,000			Superseded by P. O. 8395, Oct. 29, 1918. Post-armistice negotiations for settle- ment: Voluntary proposal of British, Stettinius Cable 607-1, Dec. 13, 1918: Involved payment of 9.2- inch howitzer ammunition (ex- cept loading cost) scheduled for delivery prior to Dec. 31, 1918. Estimated 70,000 complete rounds. (Letter, British mini- stry, Dec. 13, 1918.) Second proposal obtained, Stet- tinus Cable 607-1, Dec. 13, 1918: Involved compensation for 9.2- inch howitzer ammunition scheduled for delivery in No- vember and December less ac- tual deliveries in November (either in complete rounds or as components or shipment to United States; would buy com- ponents at scrap value). Cable 8-829-7, Jan. 17, 1919: Nego- tiations provide for delivery of 69,780 rounds 9.2-inch howitzer ammunition; deliveries in No- vember and December per A. E. F. report 18,400 (80,000-18,400= 61,600). Cable X-596-2, Feb. 15, 1919: Stet- tinus reports tentative agree- ment whereby 90,000 rounds British made 9.2-inch howitzer, now in France, are to be ex- changed for 310,000 rounds 60- pounder-gun ammunition. No further deliveries to be made.

1 Canceled.

1 Net computed per Cable P-2246, Mar. 18, 1919.

Mr. GRAHAM. Now, General, did the French and the English, aside from the trouble you have spoken about in nitrates, have any trouble in supplying those orders?

Gen. WILLIAMS. We did not always get material or artillery that we wanted. The French would not issue to us in advance the number of 75-millimeter guns, say, that we wanted to equip our troops in the next month. The position taken by the French was that while they did have a certain amount of artillery in reserve in their storehouses, that they did not want to issue that and let it get out in the camps where it would not be subject to their call in cases of emergency until the troops were actually in France; so that what we wanted to do was when we heard that an Artillery brigade was going to sail from New York, say, on a given day, we wanted to get from the French the artillery for that brigade and get it to camp so that the artillery would meet the soldiers, and the French would not do that; and in my opinion they were entirely correct. So that there was a delay of from one week to as much as a month sometimes between the arrival of the Artillery brigade in camp in France and the receiving of its artillery. But those camps were always equipped with training pieces so that the troops when they arrived could go to training with the training equipment, but they did not get their full artillery equipment.

Mr. GRAHAM. And did not get it until they were ready to go to business?

Gen. WILLIAMS. No; they would get it some time before they were sent to the line and had a chance to work with it, but did not have it waiting for them when they arrived.

Mr. GRAHAM. The French were proceeding on the theory that they might need it themselves?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. And properly so, I think. That is true of the guns. I am more particularly referring to the ammunition. Were the French and English able to supply our forces with ammunition at all times so that we were not embarrassed any?

Gen. WILLIAMS. Yes; now, I would like to qualify that by this: The French were very careful in their use of ammunition. It was a common saying among the French that for a given object—to attain a given object, that the British would shoot away twice as much as the French, and that the Americans would shoot away all you would give them. Now, our troops when they first got over there went into a sector with the French and their artillery supplies were drawn from the French dumps in that sector by requisition on the French authorities. Now, then, the French generally limited the amount that they would permit to be drawn for a day's consumption, and that amount was not always satisfactory to our American commanders.

Mr. GRAHAM. How was the price of the ammunition that we purchased in England and France? Was it an excessive price in your judgment?

Gen. WILLIAMS. No, sir; no greater than our own if as great.

Mr. GRAHAM. It was good ammunition, was it?

Gen. WILLIAMS. Always good. It was the same thing as the British and French themselves were using.

Mr. GRAHAM. Did you ever have any occasion to make a comparison with what ammunition we did have that got over there, or such as

you saw used in the ranges in this country, as compared with the French and British products?

Gen. WILLIAMS. When we sent our ammunition to France, always out of the first lot were taken an experimental number of pounds, usually 5,000 or 10,000 pounds, and sent to the French commission, and it was tested by them before it was sent to the lines. We had our 75-millimeter shrapnel and I think the 155-millimeter shells tested out by the French and approved by them in that way before being issued.

Mr. GRAHAM. Now, did you have anything to do, General, with the location of these plants at Nitro and Nashville?

Gen. WILLIAMS. No, sir; that was done before I came back from France.

Mr. GRAHAM. By whom in the Ordnance Department was it done?

Gen. WILLIAMS. It was done by the Ordnance Department. Col. Hoffer was then in charge of it, but concerning the location of those plants, I happen to know that the whole country was very thoroughly surveyed and a proper location or locations for powder plants of that size was very hard to find.

Mr. GRAHAM. Why?

Gen. WILLIAMS. Because you have got to have a large supply of water and a large flat area, and you should be near the source of supplies of your raw materials. There are many things that enter into the consideration of the location of a plant of that kind, and a very thorough survey was made before those plants were located, and, I think, by the department.

Col. HARRIS. Yes; and by men in the Ordnance Department, too.

Mr. GRAHAM. Now, you have had charge of the Ordnance Department since the signing of the armistice, haven't you?

Gen. WILLIAMS. No, sir; since the 1st of May, 1918.

Mr. GRAHAM. I said since the armistice.

Gen. WILLIAMS. Yes. Ever since that; yes.

Mr. GRAHAM. Well, I understand in a general way that the department intends to retain the Old Hickory plant at Nashville?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. As a permanent powder-making plant of the Government; is that correct?

Gen. WILLIAMS. That is correct.

Mr. GRAHAM. This plant has an estimated capacity of 900,000 pounds a day?

Gen. WILLIAMS. No, sir.

Mr. GRAHAM. How much?

Gen. WILLIAMS. It would have had a capacity of 900,000 pounds if it were completed.

Mr. GRAHAM. Yes.

Gen. WILLIAMS. It was built in units, each one to have a capacity of 100,000 pounds a day, and there are six or seven completed; the others could be completed so as to make it up to 900,000 pounds a day.

Mr. GRAHAM. Now, you propose to abandon the Nitro plant entirely?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. This committee has been told that so far as the respective merits of those two places—so far as economy is con-

cerned—that it might be contended and is contended by some that it would be more economical to retain the Nitro plant; and in discussing this matter this committee is curious to know what the situation is in that matter.

Gen. WILLIAMS. I had three separate examinations made of the Old Hickory plant and the Nitro plant.

Mr. GRAHAM. By whom?

Gen. WILLIAMS. By three different men—Col. Spruance and Col. Harris and Col. Burns—and their reports were that the Old Hickory plant was superior to Nitro, and Old Hickory was retained.

Mr. GRAHAM. Are their reports to be found in the Ordnance Department? I mean are they in writing or orally to you?

Gen. WILLIAMS. Yes; they were made orally. Did you make yours in writing. [Addressing Col. Harris.]

Col. HARRIS. Yes; a memorandum or recommendation.

Mr. GRAHAM. That is to be found in the files?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Of all three of those officers?

Gen. WILLIAMS. I would not be positive of that.

Mr. GRAHAM. Well, the contention has been made that the freight rates on most of the raw materials to Charleston or Nitro, is much less than it is to Nashville, Tenn.; do you know anything about that; from the place where they are naturally obtained?

Gen. WILLIAMS. That contention was made by the Chamber of Commerce of Charleston.

Mr. GRAHAM. Yes; they filed a brief, did they not?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Was that filed with you?

Gen. WILLIAMS. Yes; I went over that carefully and had it examined and looked into. I do not think we quite agreed with them.

Mr. GRAHAM. Have you that brief here?

Gen. WILLIAMS. That was with you, Col. Hawkins?

Col. HAWKINS. That has not been found yet.

Mr. GRAHAM. We would like to see that. The contention has been very strenuously made that everything is in favor of Charleston in that particular; and we want to know why you located that as you did. You may be entirely right about it. Now, another thing, Charleston, or Nitro, is located in the middle of the best high volatile coal and gas and all those things, which I understand, is not present at Nashville. What are the facts about that?

Gen. WILLIAMS. Nashville is not so very far away from the coal fields of Alabama. I think the coal haulage is a little greater. The haulage of sulphur from Texas or Louisiana is a little bit shorter to Nashville than to Charleston. The alcohol is about equal.

Mr. GRAHAM. Most of the alcohol comes from Peoria, doesn't it?

Gen. WILLIAMS. Yes. And acids and nitrates; our conclusion was that Nitro did not have any peculiar advantages in those respects over Old Hickory.

Mr. GRAHAM. Can you tell now, why you thing personally now—that is, your own judgment about it, why do you think it was advisable to locate that plant at Nashville?

Gen. WILLIAMS. Do I think it was advisable?

Mr. GRAHAM. Why do you think so?

Gen. WILLIAMS. Why do I think that is advisable?

Mr. GRAHAM. Yes.

Gen. WILLIAMS. One of the best reasons is that it is a better constructed plant all the way through.

Mr. GRAHAM. That was built by the du Pont people?

Gen. WILLIAMS. Yes; and it was much more complete than the Nitro plant, and the disadvantages which you speak of were not to my mind paramount. I should say from my examination of it that the two plants were about equally located so far as the——

Mr. GRAHAM (interposing). Tell me, in your mind does the economy of operation enter into it at all?

Gen. WILLIAMS. Economy of operation is always——

Mr. GRAHAM (interposing). Is it a question of having the best plant or is it economy of operation that ought to control?

Gen. WILLIAMS. The economy of operation is going to be largely dependent on the plant. The location of the plant, I should include in that, that a part of it would be economy of operation.

Mr. GRAHAM. Why do you think, as Chief or Ordnance, that it is advisable for the United States to build and maintain a large powder factory?

Gen. WILLIAMS. At the present time I should say it is not advisable for the United States to build and maintain; but the United States having already built a powder plant, or powder plants of this description, the question arises, can you maintain both of them, or shall you maintain either one, or shall you maintain neither; and it is a very serious problem. Now, as a matter of fact, both the Nitro and Old Hickory are built on such a scale that we see no prospect whatever of putting them into production until the time of stress comes. We can not use them for experimental plants; we can not use them for production. The United States and the Congress must face the question of expending a large sum of money every year to keep either one, and we have chosen Old Hickory so that it may be put in production in anything like a reasonable time.

Mr. GRAHAM. Do you think it is advisable for the Government to go into the manufacture of powder or is it a more reasonable thing for the Government to encourage the making of it by private companies?

Gen. WILLIAMS. My opinion is that if the Government could by encouraging private companies have any assurance that we could have war munitions made by private companies, that is the best way to do it. The position the United States faces to-day is: The world is stopped up with powder. The private companies are not maintaining their powder plants. They are breaking up their machinery and disposing of it; and they can not see the prospects of orders, and they say they can not afford to maintain these plants in the future with an indefinite idea that orders will come in the future. The consequence is that the United States in the dismantling of its powder plants will find itself without any plant at all.

Mr. GRAHAM. Now, you are about to sell the Nitro plant; in that plant you have a large number of presses; all those presses will be sold and perhaps junked, because they are not good for anything else. Is it a good thing for the United States to sell them or would

it not be a good thing to put them in storage with the idea of using them afterwards?

Gen. WILLIAMS. Every item the United States puts in storage it thereby assumes an obligation.

Mr. GRAHAM. What sort of an obligation?

Gen. WILLIAMS. Just the maintenance of storage facilities.

Mr. GRAHAM. Well, you will agree with me that it is highly advisable for the Government to have all sorts of materials and tools to start quantity production of materials?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. But if those are sold we can have no production at all?

Gen. WILLIAMS. Yes; but Congress must furnish the money for them; to maintain them.

Mr. GRAHAM. Is it less costly to put them in store and have a guardian watching it than to operate it?

Gen. WILLIAMS. Yes, sir; I think there is no doubt about that. And then you come up to the question of how much of this you are going to maintain.

Mr. GRAHAM. That is what I am asking you about the Old Hickory plant.

Gen. WILLIAMS. Our thought in the matter was this: The construction of the Old Hickory plant commenced in March, 1918. In July, about the end of July, 1918, the first unit came into production, and then the different units came in in successive months, after the others. Now, by maintaining Old Hickory, or first starting with the others that we have on hand they would carry us along—

Mr. GRAHAM (interposing). That was as I understand it; I don't know whether I am properly informed, but I was informed that at the signing of the armistice we had on hand about 200,000,000 pounds of smokeless powder.

Gen. WILLIAMS. That is about right. Now, taking the reserve and maintaining Old Hickory in stand-by condition so that in 60 days you can commence production of powder, and gradually bring in all the units, that would maintain it at a rate that would give you time to bring up other plants of that kind, if you have to have more capacity than Old Hickory. And our thought in the matter was that rather than maintain both Old Hickory and Nitro it was a better policy for the United States to maintain only one and scrap the other.

Mr. GRAHAM. That may be true, but still that does not answer the proposition of your scrapping valuable machines that will have no value at all to the purchaser of the Nitro plant, such as the hydraulic presses, which are not of any use to anybody else.

Gen. WILLIAMS. I don't think they are of much use for anything else.

Mr. GRAHAM. Except to make powder. I want some facts about the Old Hickory plant. Did you make any powder after the armistice was signed?

Col. HARRIS. There was a total of 31,000,000 pounds before and after the armistice; they continued what was in process.

Mr. GRAHAM. That is, you finished up what was in process?

Col. HARRIS. Yes, sir.

Mr. GRAHAM. How much territory does it cover? How much ground?

Gen. WILLIAMS. About 5,000 acres and an enormous number of buildings; a tremendous plant.

Mr. GRAHAM. We have summoned the commanding officer up here; I think he will be here to-morrow. Do you know anything about the employees or pay roll?

Gen. WILLIAMS. At the present time?

Mr. GRAHAM. Yes.

Col. HARRIS. Approximately 1,200.

Mr. GRAHAM. Well, do you know what the pay roll is per week?

Gen. WILLIAMS. I do not know the figures.

Mr. GRAHAM. Well, we can find that out.

Gen. WILLIAMS. We can get those figures.

Mr. GRAHAM. Of course, that plant is not making powder and is simply being guarded and kept in shape at this time?

Gen. WILLIAMS. It is being guarded and put in a stand-by condition, and also the surplus material there is being sold.

Mr. GRAHAM. Well, you mean the loose stuff that was accumulated during the building period?

Gen. WILLIAMS. A great many things like a tremendous quantity of piping and lumber, and sulphur, and raw materials.

Mr. GRAHAM. And cotton?

Gen. WILLIAMS. A separate sale has been made of the cotton linters.

Mr. GRAHAM. Well, you are selling those by the piece?

Gen. WILLIAMS. That is being sold through our salvage organization.

Mr. GRAHAM. Not including that, as they are at Nitro, in the general sale?

Gen. WILLIAMS. No, sir.

Mr. GRAHAM. Do you have any control over that sale at Nitro?

Gen. WILLIAMS. Well, the sale at Nitro is being made by our salvage organization, working under the instructions of the Director of Sales.

Mr. GRAHAM. But not under your instructions?

Gen. WILLIAMS. Well, the salvage organization of the Ordnance Department is under my instructions, but the policy concerning the method of conducting the business, and so on, is handed down from the Director of Sales, who really reports to Mr. Crowell.

Mr. GRAHAM. Well, in your judgment, will the retention of the plant at Old Hickory be a continued charge equal to what it is at present?

Gen. WILLIAMS. No, sir.

Mr. GRAHAM. Well, what would be the difference?

Gen. WILLIAMS. I don't know just what the present charge is now. Our estimates—

Mr. GRAHAM (interposing). Well, there are 1,200 employees; I should judge in the neighborhood of \$40,000 a week, approximately what it is at Nitro.

Gen. WILLIAMS. It will cost us not less than \$500,000 a year to maintain it in a stand-by condition.

Col. HARRIS. The ultimate stand-by force will be less than half the present number.

Mr. GRAHAM. Well, say 500 or 600 will be the stand-by force.

Col. HARRIS. We estimate 400.

Mr. GRAHAM. They would do nothing except to keep the plant as it is now, doing nothing, but you would have to have your fire protection, and police protection, and there would be the constant hazard.

Gen. WILLIAMS. Yes; and constant painting and so on.

Mr. GRAHAM. Are you using it for storage purposes?

Gen. WILLIAMS. We have only the material that was sent in there for construction purposes and some smokeless powder.

Mr. GRAHAM. I wish you would tell this committee, if you will—we ascertained when we were at Nitro that a large amount of ordnance goods was being shipped into that place there; almost as soon as the armistice was signed the insides were torn out of about 20 or 25 of the powder dry houses and then they were stored with all sorts of ordnance material, from all over the United States, and as far away as Porto Rico; why did you send that stuff in there, if you did it?

Gen. WILLIAMS. We found ourselves faced with a tremendous amount of ordnance material, and had to utilize every square foot of storage space.

Mr. GRAHAM. And now you have to get it out of there, don't you?

Gen. WILLIAMS. It was first supposed we would retain a portion of that as a storage building.

Mr. GRAHAM. Permanently?

Gen. WILLIAMS. Permanently. It was later decided to throw it in and sell the whole building.

Mr. GRAHAM. Weren't there other places available to store that stuff without shipping it clear across the country?

Gen. WILLIAMS. Our other places were all either taken up, or—

Mr. GRAHAM (interposing). Some were shipped from Chicago; wasn't there storage space in Chicago?

Gen. WILLIAMS. We would get it there; hire it.

Mr. GRAHAM. You had to pay freight across the country and handle it, and now it has to be taken out again.

Gen. WILLIAMS. We did not intend to move it at that time.

Mr. GRAHAM. Don't you think it would destroy those buildings to some extent by tearing out the interior?

Gen. WILLIAMS. It would destroy for the original purposes.

Mr. GRAHAM. What other purposes could they have been used for, in the odd and unusual shape; what could you use them for except the manufacture of powder?

Gen. WILLIAMS. By tearing out the interior we intended to make storehouses out of them.

Mr. GRAHAM. You did not intend to make storehouses out of them—

Gen. WILLIAMS (interposing). We intended to sell the rest and set aside that for a storage depot.

Mr. GRAHAM. Was that your plan, General?

Gen. WILLIAMS. That was not a plan; that was my own personal work; that was personally worked up by me. It was worked up in the Field Service Division of my office, which has charge of the storage of all that material.

Mr. GRAHAM. What are you going to do with that material now ?

Gen. WILLIAMS. We are going to send it to other storehouses.

Mr. GRAHAM. Do you have other storehouses ?

Gen. WILLIAMS. We have had allotted to us certain storehouse space that we did not have before. The storage problem at the end of the war was a tremendous one. The question of material that we had in process and that had to be taken care of made it necessary to utilize everything that had a roof on, and even then we did not have storage room enough for all of the material.

Mr. GRAHAM. I suppose that is true, and yet I fail to see why it would not have been cheaper for the Government to rent some storehouses than to ship that across the country. There is some that came through from Porto Rico. And there are some naval shells there. How did the naval shells get there ?

Gen. WILLIAMS. The only reason I can give is that they put them in there.

Mr. GRAHAM. And in the machine shops there, I now understand that the Government is reserving areas M and N over there for the purpose of storage for a time; don't you think that interferes with the sale of that proposition ?

Gen. WILLIAMS. It may interfere with it; I should think it would.

Mr. GRAHAM. And yet you have no place to put that stuff and get it away right away ?

Gen. WILLIAMS. I don't think so.

Mr. GRAHAM. Most of the stuff that this committee observed over there was shell cases, 75 and 240.

Gen. WILLIAMS. We have a great many of those on hand and it is hard to know just what to do with them. You have the proposition whether it would not be better for the Government to stop those things rather than to put them in store.

Mr. GRAHAM. Well, you have immense quantities of them, haven't you ?

Gen. WILLIAMS. Yes; large quantities. Maybe I can give you the figures on those.

Mr. GRAHAM. I think we have them some place. What do you think will be the future as to the Old Hickory plant as regards the present buildings ? I judge they are of temporary construction, are they not ?

Gen. WILLIAMS. The outside of most of the buildings is temporary.

Mr. GRAHAM. Now, if the Government retains them as a permanent powder plant, will it not have to rebuild them in a permanent way ?

Gen. WILLIAMS. There won't be much rebuilding; there will be painting and upkeep and replacing of glass and that sort of thing.

Mr. GRAHAM. Are the shells of the buildings made of tar paper ?

Gen. WILLIAMS. My recollection of the Old Hickory plant—I was down there and spent some time on it—that practically all are of steel frame and some have tar roofs on them and some of them corrugated iron roofs and some have corrugated iron sides; many of them not painted.

Mr. GRAHAM. Don't you think it will take a large amount of money to maintain that institution ?

Gen. WILLIAMS. Certainly it will.

Mr. GRAHAM. What is your judgment, General, so that this committee won't make any mistake about that—be correctly advised—what is your judgment; what is it going to cost to maintain that institution?

Gen. WILLIAMS. Certainly not less than a half million dollars a year.

Mr. GRAHAM. That does not take into consideration the rebuilding or painting?

Gen. WILLIAMS. No, sir.

Mr. GRAHAM. You know that that tar paper will not last very long.

Gen. WILLIAMS. Not very long.

Mr. GRAHAM. And the consequence is that the Government, if it maintains that institution, will spend several million dollars for reconstruction?

Gen. WILLIAMS. I don't think there will be much reconstruction. Certainly we would not recommend any that was not necessary for the preservation of valuable material.

Mr. GRAHAM. Well, as the years go by that flimsy construction will deteriorate and get of no account, won't it?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. And then what will we do?

Gen. WILLIAMS. The framework is steel.

Mr. GRAHAM. But you have to put something on the outside of that; you have to replace the outside; you know something about the Government in building buildings of that kind which is very large; you know it will cost a large amount of money to keep that institution?

Gen. WILLIAMS. I am quite aware of that, and I called that to the attention of both committees in both Houses of Congress, and when we come up for our appropriation we are going to bring a detailed table of costs. It is a question of policy, whether we shall keep it or not, and if we maintain that we will come here asking for appropriations.

Mr. GRAHAM. Did the Government ever make any powder before?

Gen. WILLIAMS. We had a small plant at Picatinny Arsenal, N. J.

Mr. GRAHAM. Is that operating?

Gen. WILLIAMS. Not operating; we still have it; we are using it for an experimental plant.

Mr. GRAHAM. We have always depended on private production?

Gen. WILLIAMS. Up until the time we had the Picatinny Arsenal we depended upon private plants. When it was first built it had a capacity of 300,000 pounds; that was not sufficient, and after that we had to depend on private companies.

Mr. GRAHAM. Now, to recur to the Charleston Chamber of Commerce report, are the figures of that correct as to freight rates; did you check them?

Gen. WILLIAMS. I do not know, sir.

Mr. GRAHAM. Did any of your officers?

Gen. WILLIAMS. I don't know. I am not sure. The report was referred to the people that had charge of that.

Mr. GRAHAM. Was the report filed with you before action by you in this matter?

Gen. WILLIAMS. Yes, sir.

Mr. GRAHAM. Mr. Jefferis, do you care to ask anything?

Mr. JEFFERIS. Yes; a few questions.

What was the cost of the Old Hickory plant?

Gen. WILLIAMS. About \$90,000,000, and Nitro about \$70,000,000.

Mr. JEFFERIS. We have been told that the cost of Old Hickory was \$138,000,000.

Gen. WILLIAMS. I don't think so; I never heard that.

Mr. JEFFERIS. Never did hear that figure?

Gen. WILLIAMS. No, sir.

Mr. JEFFERIS. Who could give us those figures?

Col. HAWKINS. I think I can say the first allotment was \$80,000,000 and the next was \$90,000,000, and that has not all been spent; that included some construction and some operation.

Mr. JEFFERIS. And you say Nitro was what; about \$70,000,000?

Gen. WILLIAMS. About \$70,000,000.

Mr. JEFFERIS. That the operation as well as the construction of what?

Gen. WILLIAMS. That is the construction cost as I recall it.

Mr. JEFFERIS. How do the buildings—that is, the housing at Old Hickory—compare with the bungalows constructed at Nitro?

Gen. WILLIAMS. I could not give you an answer of value on that. I have seen both of them; now, which is superior, I could not tell you.

Mr. JEFFERIS. Something of the same order, are they, each of them?

Gen. WILLIAMS. About the same thing. Generally speaking, Old Hickory is better built than Nitro.

Mr. JEFFERIS. Is the machinery better than at Nitro?

Col. HARRIS. From the manufacturing standpoint we all consider Old Hickory better; better designed; the Old Hickory plant is better designed and a better plant.

Mr. JEFFERIS. And Old Hickory plant was about one-half larger than Nitro?

Gen. WILLIAMS. The capacity of Old Hickory is 900,000 pounds a day and Nitro about 600,000 pounds a day.

Mr. JEFFERIS. Did I understand you to say the United States had on hand about 200,000,000 pounds of powder?

Gen. WILLIAMS. Yes, sir.

Mr. JEFFERIS. From what source did the United States Government get that?

Gen. WILLIAMS. From private sources and its own factories, Old Hickory and Nitro.

Mr. JEFFERIS. How much from the Nitro plant?

Col. HARRIS. About 137,000,000.

Gen. WILLIAMS. And about 3,000,000 from Picatinny Arsenal.

Mr. JEFFERIS. Then the difference of about 40,000,000 was produced from private manufacturers?

Gen. WILLIAMS. Yes, sir.

Mr. JEFFERIS. Is that all in this country—that 200,000,000 pounds—now?

Gen. WILLIAMS. Yes, sir.

Mr. JEFFERIS. Stored at different places, I take it?

Gen. WILLIAMS. Different places.

Mr. JEFFERIS. About how many men did Great Britain have in arms when they were using a million pounds of powder a day?

Gen. WILLIAMS. I could not give you the figures.

Mr. JEFFERIS. Could you give us approximate figures?

Gen. WILLIAMS. I would not care to trust my memory; I have seen various figures.

Mr. JEFFERIS. Did they have over 5,000,000?

Gen. WILLIAMS. I do not know, sir. I would have to look up the statistical reports on that before I could give an answer.

Mr. JEFFERIS. Do you know about how many men France had at the front when it was using something over a million pounds a day?

Gen. WILLIAMS. I could not tell you that, either; I would have to look it up.

Mr. JEFFERIS. Do you understand that this million pounds of powder that Great Britain was using a day was its maximum use of smokeless powder?

Gen. WILLIAMS. I don't think they ever got much over that, if any.

Mr. JEFFERIS. At any time?

Gen. WILLIAMS. I don't think so.

Mr. JEFFERIS. And lots of days not that much?

Gen. WILLIAMS. We are speaking of an average.

Mr. JEFFERIS. Of an average?

Gen. WILLIAMS. Yes, sir.

Mr. JEFFERIS. Now, as I understand you, there was very little, if any, ammunition used at the front by our troops that was either purchased in this country or manufactured, unless we bought it from France or Great Britain?

Gen. WILLIAMS. You can say that practically no ammunition or artillery material from American shops made under American supervision reached the front. A great deal reached France.

Mr. JEFFERIS. What men were they who were interested in locating the powder plants here in the department?

Gen. WILLIAMS. Col. Hoffer was in charge of the division which had charge of the production of powder, and he was assisted by Col. Burns and Col. Spruance and Col. Wass.

Mr. GRAHAM. Is that the man who was afterwards out at Nitro?

Gen. WILLIAMS. Yes, sir.

Mr. JEFFERIS. Were they Regular Army men?

Gen. WILLIAMS. Col. Burns and Col. Hoffer were: Col. Spruance and Col. Wass were not.

Mr. JEFFERIS. Now, what is your opinion of the cause that led this body of men to locate those plants?

Gen. WILLIAMS. Because they surveyed all the country?

Mr. JEFFERIS. After a survey?

Gen. WILLIAMS. They surveyed the country and they considered those places best adapted for plants of those sizes.

Mr. JEFFERIS. I know; but what do you consider was the impelling force that caused them to locate any plants anywhere?

Gen. WILLIAMS. Because they had to have powder.

Mr. JEFFERIS. Who directed that?

Gen. WILLIAMS. The procurement of the powder?

Mr. JEFFERIS. Yes, sir.

Gen. WILLIAMS. That was directed by the Secretary of War. The Secretary of War hands down troop requirements, then the department takes hold and works it out.

Mr. JEFFERIS. Now, was there anything of that kind issued?

Gen. WILLIAMS. Oh, yes.

Mr. JEFFERIS. Who issued it?

Gen. WILLIAMS. At first the way it was done was that the bureaus were informed of the number of troops to be raised, the approximate time they would be raised, given the tables of organization and the number of rounds per day per piece, and then the bureau figured out its requirement of 75 millimeter and the number of rounds of ammunition of every kind.

Mr. JEFFERIS. Now, what I am trying to get at, in the Ordnance Department, who actually did the figuring out what was necessary?

Gen. WILLIAMS. The divisions in the Ordnance Office concerned with the production of that.

Mr. JEFFERIS. Who were they?

Gen. WILLIAMS. What we called the Old Gun Division, which existed at the time when we went into the war, had charge of the production of the guns and the ammunition.

Mr. JEFFERIS. Now, for instance, who was in charge of that about the time that the orders evidently were issued to build these plants?

Gen. WILLIAMS. Col. Hoffer was in charge of the Gun Division at that time; Capt. Rice in charge of the carriage division.

Mr. JEFFERIS. That would include the ammunition?

Gen. WILLIAMS. The gun division had the procurement of the ammunition.

Mr. JEFFERIS. So as I understand you, General, Col. Hoffer would be the man to do the figuring from this chart that was furnished him how much powder—

Gen. WILLIAMS (interposing). His assistants, yes; it would be done under his supervision. That is the way it was done under the old organization.

Mr. JEFFERIS. Do you have any knowledge, General, as to the amount of powder that private manufacturers shipped from this country to the Allies during the war?

Gen. WILLIAMS. I haven't those figures in mind. I think we could give you an approximate statement.

Mr. JEFFERIS. Now, has there been any powder unit moved away from Nitro since the armistice to the Rock Island Arsenal?

Gen. WILLIAMS. No, sir; Rock Island is not a powder-manufacturing place. A certain amount of machinery has been moved to Picatinny.

Mr. JEFFERIS. To Picatinny?

Gen. WILLIAMS. Yes; that is our powder place.

Mr. JEFFERIS. What was moved away?

Gen. WILLIAMS. Just a few things to round out Picatinny as an experimental arsenal; a few things to do experimental work.

Mr. JEFFERIS. How many units do you figure were completed at Nitro?

Col. HARRIS. Three were complete.

Mr. JEFFERIS. How many others were intended?

Gen. WILLIAMS. Six altogether.

Mr. JEFFERIS. Six?

Gen. WILLIAMS. Yes; three complete and three remaining to be completed.

Mr. JEFFERIS. Do you know whether or not the machinery for the other three ever reached Nitro?

Col. HARRIS. Five units total was on hand.

Gen. WILLIAMS. The plant was about 85 per cent completed; five instead of six, and the machinery was on hand.

Mr. JEFFERIS. Do you figure that the private manufacturers of smokeless powder have any considerable quantity on hand now?

Gen. WILLIAMS. Oh, no, sir. They would only manufacture under contract, and only manufacture what is called for by the contract. They do not carry any surplus orders in stock except sporting powders.

Mr. JEFFERIS. Are there any number of plants in this country equipped to make smokeless powder now?

Gen. WILLIAMS. We had several plants during the war. The Du Ponts had by far the largest; and the Hercules and the Aetna and the Atlas. The Hercules and the Atlas and the Aetna were comparatively small producers; whether they are maintaining their plants I do not know.

Mr. JEFFERIS. Do you know whether they were really in existence prior to the European war or—

Gen. WILLIAMS (interposing). The Aetna, I believe, was not in existence; the Hercules and Atlas were in existence, but small.

Col. HARRIS. The Atlas was not; the Hercules in a small way and the Du Pont in a small way.

Mr. JEFFERIS. I gather from that that there was not any considerable number of plants in this country for the production of smokeless powder when the European war broke out?

Gen. WILLIAMS. Merely nominal.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. General, do I understand you correctly that the raw materials for the production of smokeless powder is to about 20 to 1?

Gen. WILLIAMS. About 20 to 1.

Mr. GARRETT. That is, it would take about 20 pounds of all raw materials to make 1 pound of smokeless powder?

Gen. WILLIAMS. About 20 pounds of raw materials to 1 pound of smokeless powder; yes.

Mr. GARRETT. Now, in view of the situation in regard to shipping, I take it, it was desirable to have the finished product made in this country as much as possible?

Gen. WILLIAMS. That is true.

Mr. GARRETT. It would require roughly one-twentieth of the shipping space for the finished explosive that would be required to carry the raw materials, provided all those raw materials had to be shipped to France or England?

Gen. WILLIAMS. Yes, sir.

Mr. GARRETT. Well, now, so far as cotton linters are concerned, those all had to be shipped to France then; that is one raw material all of which had to be shipped?

Gen. WILLIAMS. Yes, sir. The same is true of nitrates; and the same thing is true of sulphur.

Mr. GARRETT. And I assume that element was taken into consideration?

Gen. WILLIAMS. Yes; that was one of the prime considerations.

Mr. GARRETT. In determining these tentative agreements?

Gen. WILLIAMS. Yes, sir.

Mr. GARRETT. Now, this powder was allocated from the private plants by the War Industries Board, was it?

Gen. WILLIAMS. Yes; finally by the War Industries Board; first by the War Department.

Mr. GARRETT. Do you know how the price paid by them compared with the price by us?

Gen. WILLIAMS. They were paying from a dollar to a dollar and a half a pound before we went into the war.

Mr. GARRETT. Well, after we entered and this process of allocation began, so much retained for us and so much allocated to the allied countries, what was the price then?

Gen. WILLIAMS. I do not know about that, sir. I should say we probably would not interfere with the current contracts with the foreign countries.

Mr. GARRETT. Well, after the allocation took place the prices were still fixed?

Gen. WILLIAMS. The allocation was given to them at cost. Col. Harris can give you the details about that better than I can.

Mr. GARRETT. As I understand you, no use is being made of the Old Hickory plant now?

Gen. WILLIAMS. No output; no, sir.

Mr. GARRETT. There are a good many of those buildings out there still rented?

Gen. WILLIAMS. They are renting some of the cottages.

Mr. GARRETT. Mostly to the employees of the plant?

Gen. WILLIAMS. Mostly to the employees on the plant.

Mr. GARRETT. I suppose wholly to the employees?

Gen. WILLIAMS. I think so; I don't think there are any others rented.

Col. HARRIS. The question is now being brought up and is being arranged.

Mr. GRAHAM. We have very full information about that. Gen. Williams, I was interested in what Mr. Garrett asked you about shipment of raw materials. Where did France and England get their raw materials for their powder factories?

Gen. WILLIAMS. The nitrates came from Chile.

Mr. GRAHAM. Where did the cotton come from?

Gen. WILLIAMS. Mostly from the United States. Do you know about that, Harris?

Maj. HARRIS. No, sir; I do not know.

Gen. WILLIAMS. It came from India and the United States.

Mr. GRAHAM. Did they get any cotton from Egypt?

Gen. WILLIAMS. I imagine they got some.

Mr. GRAHAM. They were making mostly amatol, was it not?

Gen. WILLIAMS. Amatol is an explosive.

Mr. GRAHAM. And not a propellant?

Gen. WILLIAMS. No, sir.

Mr. GRAHAM. That is only used in shells. Of course, I know that.

Gen. WILLIAMS. The cotton is used for making smokeless powder. Amatol is a mixture of T. N. T. and ammonium nitrate.

Mr. GRAHAM. And it is only used as an explosive charge in shells?

Gen. WILLIAMS. That is all.

Mr. GRAHAM. Not as a propellant. Was the only propellant that was used during the war smokeless powder?

Gen. WILLIAMS. There was a small ignition charge of black powder.

Mr. GRAHAM. That generally ran through the center of the charge to make a quick and uniform ignition. Well, how much do you know personally about this cotton situation? How much powder did they get from the United States for powder purposes?

Gen. WILLIAMS. Where they got it?

Mr. GRAHAM. Yes.

Gen. WILLIAMS. I do not know.

Mr. GRAHAM. There is a very considerable supply of cotton to be had in India and Egypt, is there not?

Gen. WILLIAMS. Yes.

Mr. GRAHAM. Do you know whether during the war they were making shipments of nitrates from Chile?

Gen. WILLIAMS. Oh, yes; I am sure they were.

Mr. GRAHAM. Direct?

Gen. WILLIAMS. Yes, sir. As a matter of fact, I think the supply of nitrates, the allocation of nitrate was from England.

Mr. GRAHAM. Now as to alcohol and the acids that they needed. They were able to produce them at home, were they not?

Gen. WILLIAMS. They would not be able to produce alcohol in any particular quantity. A great deal of that came from the United States. Do you know about that?

Maj. HARRIS. I have no definite figures on that, sir.

Mr. GRAHAM. They also procured sulphur?

Gen. WILLIAMS. Pyrites and stain with sulphur content.

Mr. GRAHAM. Did they get enough for their uses?

Gen. WILLIAMS. Whether or not they got enough for their uses from stain I do not know.

Mr. GRAHAM. The train of thought started in my mind by Mr. Garrett's suggestion was whether, as a matter of fact, they were obliged to import raw materials to make their powder.

Gen. WILLIAMS. Most all. Nearly all of it had to be imported.

Mr. GRAHAM. Not from the United States?

Gen. WILLIAMS. Not from the United States; no, sir. No; but it is a question of shipping.

Mr. GRAHAM. It was all a question of shipping.

Mr. JEFFERIS. Did I understand you to say in July, 1917, the United States purchased so many million rounds of ammunition from France?

Gen. WILLIAMS. Yes, sir. The Ordnance Department immediately entered negotiations with the French High Commission, and in July of 1917 placed an order with the French Government through the French High Commission for 8,000,000 rounds of 75 millimeter and 3,000,000 rounds of 155 millimeter—I should say \$8,000,000 worth of 75-millimeter ammunition, not that number of shells.

Mr. JEFFERIS. Did you use all of that?

Gen. WILLIAMS. We used 6,500,000 rounds of this 75-millimeter ammunition.

Mr. JEFFERIS. I think that is all.

Mr. GRAHAM. That is all, General. We are much obliged to you.

TESTIMONY OF MAJ. HERBERT HUNTER—Recalled.

Mr. GRAHAM. Mr. Hunter, we were inquiring of Gen. Williams trying to get some information relative to the shipment overseas of powder. Do you have with you information so that we can get into the record the approximate amount of smokeless powder that we shipped during the war to the allied countries?

Maj. HUNTER. I have not got it as flotations. I have the production by Du Ponts, who were practically the only large manufacturers during the year 1917. I have their productions, and the assumption is that all of that production went overseas in 1917, but I have not the actual figures.

Mr. GRAHAM. Upon what do you base that assumption?

Maj. HUNTER. That was mostly private contracts by the allied Governments with the Du Ponts as private manufacturers, and was shipped on their orders. It was not an allocation agreement. It was on direct contracts with the allied Governments and the Du Pont Co., and those quantities went up to make the greater portion of the shells which were loaded with American ammunition on the other side.

Mr. GRAHAM. Is there any way we can get the information definitely as to how much was shipped overseas?

Maj. HUNTER. I am having the actual quotations, as far as our records show, looked up. We have no record of the actual flotations on private contracts, but would have to go outside for that.

Mr. GRAHAM. Did you not have such control over the powder situation during the war that you knew when powder was going out?

Maj. HUNTER. On anything which was carried by Government contract.

Mr. GRAHAM. But you did not know what they were shipping out to foreign Governments?

Maj. HUNTER. Not the Ordnance Department. Of course, there are records in the Government departments elsewhere.

Mr. GRAHAM. Did the War Industries Board have anybody who gave that proposition attention?

Maj. HUNTER. I am not familiar enough with that to say.

Mr. GRAHAM. There must have been some place, some agency that distributed the supply that was produced in America of smokeless powder.

Maj. HUNTER. That was in 1918. In 1917 that agreement of allocation was not in effect.

Mr. GRAHAM. So that our powder manufacturers were permitted to sell to anybody that they wanted to?

Maj. HUNTER. Until these agreements whereby the outputs were allocated according to the requirements of our own Government and the Allies.

Mr. GRAHAM. And that was made in 1918?

Maj. HUNTER. I have the estimated production for 1918, from December 1, and its allocation for production. I can not give you the whole thing.

Mr. GRAHAM. So during the first year of the war we had to take our chances in the market for powder with anybody else?

Maj. HUNTER. We did not require it. We were not in position to load it and make shipments. Our requirements at that time for powder were only five millions and one-half, and we secured all we required.

Mr. GRAHAM. Five million and a half for the year, you mean?

Maj. HUNTER. For 1917.

Mr. GRAHAM. That is all the powder we needed—smokeless powder?

Maj. HUNTER. Smokeless powder.

Mr. GRAHAM. You mean at home and abroad?

Maj. HUNTER. At home and abroad.

Mr. GRAHAM. How much did the Du Ponts produce during the year 1918, as shown by your table? Have you got it by months?

Maj. HUNTER. I have got it by countries. On United States account, 5,531,000; for the French, 4,626,000; for the British, 17,664,000; for the Russian, 3,870,000; for Holland, 337,000; and to the various loading companies in those countries which were loading for the British, French, and Russian Governments, 5,000,000 pounds.

Mr. GARRETT. That is for 1917?

Maj. HUNTER. For 1917; yes.

Mr. GARRETT. Mr. Graham asked you about 1918.

Mr. GRAHAM. That was for 1917, the year you gave us just then?

Maj. HUNTER. Yes; 1917.

Mr. GRAHAM. You have not totaled it?

Maj. HUNTER. I am just doing that. Roughly it is approximately 33,000,000 pounds.

Mr. GRAHAM. Then this agreement was made by which an allocation was made in the early part of 1918?

Maj. HUNTER. Yes, sir.

Mr. GRAHAM. Do you know their production during 1918?

Maj. HUNTER. This is the estimated production of all powder companies as well as our own plant.

Mr. GRAHAM. By our own plants you mean those at Nitro and Old Hickory?

Maj. HUNTER. We assumed that they would come into production at a certain time and we estimated production for 1918. That was taken and then allocated. As far as possible, the allocations were made so as not to interfere with private contracts.

Mr. GRAHAM. How did you allocate them? Have you got the allocations there?

Maj. HUNTER. Allocations; yes, sir.

Mr. GRAHAM. They show how you allocated them?

Maj. HUNTER. That is, our own requirements and the requirements of the British, French, and, where necessary, we had to assume control of their contracts in order to assure all we needed for ourselves.

Mr. GRAHAM. Tell us what you actually did do.

Maj. HUNTER. England's estimated demands for 1918 was 42,000,000 pounds; the French, 159,000,000; Italy, 32,000,000; the Navy Department, 71,000,000; and the Army, 230,000,000; Belgium, 2,000,000.

Mr. GRAHAM. What sources of supply were you estimating that you were going to use there?

Maj. HUNTER. Du Pont.

Mr. GRAHAM. How much for the Du Ponts?

Maj. HUNTER. I have not got the figures by companies.

Mr. GRAHAM. Well, who else?

Maj. HUNTER. Du Ponts, Hercules, Aetna, and the Government plants.

Mr. GRAHAM. How much did you estimate for the Government plants for that year?

Maj. HUNTER. I have not got those figures with me. I did not bring them with me. I just took the total number from all available sources. I can give you those figures.

Mr. GRAHAM. I wish you would insert here in the record how much you estimated that the Government plants would produce in 1918, and the proportion of that amount. What were you paying for powder during the years 1917 and 1918 to private manufacturers? I mean the price per pound?

Maj. HUNTER. That was limited by law to 53 cents. I can not quote you the statute, but it was something to the effect that the cost of powder should not exceed 53½ cents.

Lt. Col. HAWKINS. There is no statute that I know of. We had a price-fixing committee in the War Industries Board. The highest price we ever paid, of which I know, is 62 cents. That was for small arms and in small quantities. The average price was 53½ cents, and the lowest price was 44 cents.

Mr. GRAHAM. The price fixed by the War Industries Board?

Lt. Col. HAWKINS. Fixed by them for the high prices. The low prices were negotiated.

Mr. GRAHAM. You are mistaken about that statute, I am afraid.

Maj. HUNTER. There is some statute that says that the Government shall pay for its powder in excess of 53 cents.

Mr. GRAHAM. I know of no such statute. There may be one, but it has not been called to my attention.

Maj. HUNTER. To be sure of that I will look it up.

Mr. GRAHAM. The highest price we paid was 62 cents?

Lieut. Col. HAWKINS. Yes, sir.

Mr. GRAHAM. Did you have anything to do with the cost accounting in the manufacture of powder?

Maj. HUNTER. Only indirectly, in order to keep track of the production. The cost accounting is all carried on in the Finance Division.

Mr. GRAHAM. Do you know whether any accounting of cost was ever made to ascertain the fairness of the price that was charged for powder?

Maj. HUNTER. Our contract with the Du Pont Engineering Co. at Old Hickory is based on a cost—they were allowed a certain amount of profit when the cost of powder was at a certain price; they would benefit by a certain percentage on all below that. We actually produced powder at Old Hickory for less than 38 cents per pound.

Mr. GRAHAM. How do you figure that? What did you put in the cost?

Maj. HUNTER. That is everything except amortization of plant.

Mr. GRAHAM. You took the raw materials?

Maj. HUNTER. Raw materials, labor, saving of by-products.

Mr. GRAHAM. But you did not charge anything for overhead?

Maj. HUNTER. Transportation—yes, on overhead—there is nothing for overhead of the department.

Mr. GRAHAM. And nothing for the amortization of plant?

Maj. HUNTER. Nothing for the amortization of plant.

Mr. GRAHAM. Any depreciation?

Maj. HUNTER. I think there is a certain fixed percentage for depreciation. I am quoting from memory now. I can not say; that is all in the terms of the contract for operation. It had to be definitely fixed because of the fluctuation in profit which the company was to receive.

Mr. GRAHAM. Have you got any estimate of the cost which leads you to place your estimate of finished powder at 39 cents per pound?

Maj. HUNTER. I have those costs for the first months, but the complete accounting for the production at Old Hickory has not yet been completed and reported in.

Mr. GRAHAM. You have it for certain months?

Maj. HUNTER. Yes.

Mr. GRAHAM. Can you send one of those up here for an illustration so we can look at it?

Maj. HUNTER. I can have it worked out for you so as to show you what the price is.

Mr. GRAHAM. We would like to see on what you based your estimate that you could make powder for 39 cents a pound. If you could make it at that price, that is a very interesting fact and one that Congress ought to know; but if you are failing to add to it certain necessary elements that go into making up the cost, that should be taken into consideration also.

Maj. HUNTER. Perhaps Maj. Hawkins can refresh my memory on that.

Lieut. Col. HAWKINS. The estimated cost for powder was forty-four and a fraction cents a pound taking out of consideration the amortization of the plant. That 44 cents was predicated upon sulphur, nitrate of soda, alcohol, and cotton linters costing prices; and that estimate was the bogey price. If the contractor made powder for more than forty-four and a fraction cents he got no additional profit; but if he made powder for less than bogey price he got a bonus or an additional profit; but our forty-four-and-fraction-cents bogey price was an estimate that we made up in March of 1918 when we prepared the contracts. Our estimate in October, 1917, was 56 cents a pound for bogey price as I recall. That contract was canceled by the Secretary of War and never effective.

Mr. GRAHAM. This estimate, as I understand it, making up the bogey price includes the price of the raw material and the labor and the actual expense of making the powder, including the cost of the organization which is making it and so on.

Maj. HUNTER. Yes, sir.

Mr. GRAHAM. But has in it this additional element that the plant is furnished, the equipment is furnished, the necessary utilities are furnished, and the whole thing is there, so that all the contractor has to do is to take the materials and his labor and make his product?

Maj. HUNTER. Yes, sir.

Mr. GRAHAM. That is entirely different from the case of the powder manufacturer where he has to furnish his plant and put in his own money, is it not?

Maj. HUNTER. Yes, sir; but most private plants in bidding on a contract already had their plants to produce the material which they proposed to furnish.

Mr. GRAHAM. Still they have their money in it.

Did we ever have trouble during the war, so far as you know, in obtaining nitrate of soda from Chile?

Maj. HUNTER. No, sir.

Mr. GRAHAM. Do you know what stock of nitrate of soda there was in this country when we entered the European war?

Maj. HUNTER. I can have those figures for you; I have not got them with me.

Mr. GRAHAM. You do have the figures, though?

Maj. HUNTER. Those figures are available. We can get them from the Census Bureau.

Mr. GRAHAM. Do you suppose you can get them for us so we can get them in the record to-day or to-morrow?

Maj. HUNTER. Yes, sir.

Mr. GRAHAM. I wish you would do so.

(The figures were furnished and are inserted here:)

WAR DEPARTMENT.

OFFICE OF THE CHIEF OF ORDNANCE.

OCTOBER 11, 1919.

From: Mr. L. A. Codd.

To: Maj. J. Herbert Hunter.

Subject: Nitrate of soda.

1. Pursuant to your request of October 10 for data relative to nitrate of soda stocks in this country at the beginning of the war, and subsequent importations and additions thereto, I respectfully submit the following memorandum gathered from all available sources of information.

2. The quantity of nitrate of soda in this country at the beginning of war, that is, as of April, 1917, can not be determined. In an effort to ascertain the amounts as of that time, I have consulted the Department of Agriculture, the War Industries Board here in Washington, nitrate committee of the United States (a subsidiary of the War Industries Board). I have also talked to the office of the special representative of the Secretary of War who made extended investigations into the nitrate situation in so far as it pertained to the settlement of allied claims. That office has no pertinent information applying to the date in question. I also consulted Mr. Chamberlain, of H. J. Baker & Bro., who, of all the importers of nitrate, is among the best informed as to present conditions and those prevailing at the beginning of the war. I have also consulted the files of this office, and to my best belief such data is not contained therein.

3. However, I believe that your inquiry will be practically answered by giving the figures, which are the latest available as applying in December, 1917. This information was obtained from the War Industries Board and is set forth in its first monthly report dated March, 1918, wherein the quantities on hand in the United States as of December, 1917, are given as 357,935 gross tons. This figure includes nitrate from all sources, even in transit to this country. It includes all material at manufacturing plants, likewise nitrate in the hands of importers, fertilizer plants, commercial acid plants, et cetera. It also includes reserves of nitrate held at that time by the Army and Navy including Picatinny Arsenal, 23,418 long tons, and at Rock Island Arsenal, 20,500 long tons.

4. The records of this office show that importations of nitrate from December, 1917, to November, 1918, totaled approximately 731,140,323 pounds. This quantity was increased by 495,822,485 pounds, making total contract obligations by the Government during the period of war and until July 1 of 1,226,962,808 pounds. It is very difficult to interpret the final settlement and liquidation of the so-called nitrate pool in terms of Ordnance Department's relations thereto. While we had always calculated that there were

120,000 tons in Chile held by this department as member of the pool, it has developed that in the final liquidation of said pool only 14,000 tons were allowed to this department.

5. You are familiar with disposal of surplus stocks of nitrate and I respectfully recall that 124,573 short tons were sold to the Department of Agriculture during the early part of this year, and at the same time 94,950 short tons were disposed of through the importers to domestic trade. Negotiations for the sale of the 14,000 tons in Chile as well as 28,000 tons of surplus Navy stocks in this country are now under way. Latest reports from field service indicate that all Army surplus in this country in excess of the Army reserve of 300,000 long tons have been disposed of.

6. For your own information I also submit the following with relation to the status of the War Industries Board in reference to the allocation of nitrate of soda. It is well to remember that Ordnance was merely in the nature of an allocatee under the pool arrangement and was subject to whatever plans the War Industries Board might promulgate for increasing nitrate production and facilities for moving, etc. The details for the War Industries Board were controlled by and power was vested in the so-called nitrate committee of the United States, under Mr. Paige, chairman, with offices in New York. The nitrate committee was in turn subject to decision of the London executive, which was a committee composed of representatives of each of the allied countries members of the nitrate pool, including Japan, who was the last allied Government to join, coming in in January, 1918. Each allied nation had as representation in the London executive either two representatives with one vote each or one representative with two votes. The United States belonged to the second class, being represented by Consul General Skinner in London. The London executive was organized on December 17, 1917, and disbanded March 1, 1919.

L. A. CODD.

Mr. GRAHAM. From that time forward what steps were taken by the United States Government toward obtaining these nitrates from Chile from time to time? Did we have a line of ships that were engaged in that business?

Maj. HUNTER. There was a pool agreement. I am not familiar with the details of it. It was controlled by the British who made the allocations of the entire output of saltpeter, Chilean saltpeter, to the French, Italians, British, and Americans.

Mr. GRAHAM. The British had control of the whole business, did they?

Maj. HUNTER. I believe that was by agreement.

Lieut. Col. HAWKINS. The London executive had charge of the allocation of Chilean nitrate to all countries of the world.

Mr. GRAHAM. When was that agreement made?

Lieut. Col. HAWKINS. Several years ago; five years ago.

Mr. GRAHAM. Has it been, then, for years, that what nitrates we have been getting in Chile we got by agreement of the British Government?

Maj. HUNTER. That is my understanding of it.

Mr. GRAHAM. They said we could have it, but we could not get it; is that true?

Maj. HUNTER. I believe Du Ponts have their own ships and do their own importing; but I do not believe that they had any source of supply in Chile but must buy it under the direction of the London executive; and the London executive fixes the allocations and exportations of all Chile and all of the countries, whether the purchaser is a private concern or the country itself.

Mr. GRAHAM. Well, is that by virtue of any treaty?

Lieut. Col. HAWKINS. No, sir.

Mr. GRAHAM. Is it by virtue of some concession that is made by the Chilean Government to the British Government?

Lieut. Col. HAWKINS. It is by virtue of the ownership of the mines in Chile and the output of the mines is controlled or distributed by what is known as the London executive.

Mr. GRAHAM. Is this executive an employee of the British Government?

Lieut. Col. HAWKINS. No, sir; an employee, as I understand it, of the owners of the Chilean deposits. I do not know of any treaty.

Mr. GRAHAM. Then, he is really an agent of these mine owners?

Lieut. Col. HAWKINS. That is my understanding.

Mr. GRAHAM. Do you know about our importations of nitrate during the war; how great they were?

Maj. HUNTER. I have a complete record of it in my own office.

Mr. GRAHAM. I wish you would include that with the other statements so we can have that in the record in order that we may ascertain how much nitrate we were shipping in here. It throws considerable light on the proposition of the program of our Government in building immense nitrate plants here; what the necessity for that course was. That will include the shipments and importations of nitrate into the country.

Maj. HUNTER. During the war.

(The information above referred to is here printed in full, as follows:)

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, October 11, 1919.

HON. WM. J. GRAHAM,
United States House of Representatives.

MY DEAR MR. GRAHAM: At the hearing of your subcommittee held yesterday you requested some information as to the purchase and sale of nitrate of soda.

The Ordnance Department entered into contracts from time to time with the importers of Chilean nitrate. The last contracts were in the form herewith inclosed and were had with W. R. Grace & Co., War-Ord-P10053-1044E; Wessel-Duval & Co., War-Ord-P10070-1045E; H. J. Baker & Bro., War-Ord-P10111-1046E; and Du Pont Nitrate Co., War-Ord-P10317-1059E.

In March of this year these same companies were made agents to sell the surplus nitrate of soda. A form of contract was a supplemental contract to each of the purchasing contracts. A copy of a sales contract is herewith inclosed.

The office of the director of sales negotiated these sales, and the disposition of the nitrate is practically complete. The sale was carried out under the terms of the act of July 9, 1918, as amended by the act of February 25, 1919. A copy of a statement from the office of the director of sales indicates a number of tons of nitrate of soda on hand following the signing of the armistice and indicates the respective tonnage for Army reserve for disposition to the Department of Agriculture and for disposition through the four companies having these sale contracts. A copy of this is attached.

The director of sales reports the average cost of nitrate of soda as \$4.50 per hundred pounds. The selling price from March to June 30 was \$4.075 per hundred pounds. The selling price in July was \$2.9965776 per hundred pounds. The selling agents received commissions of 2½ per cent.

Respectfully,

C. C. WILLIAMS,
Major General, Chief of Ordnance, United States Army.
By R. H. HAWKINS.

Lieutenant Colonel, Ordnance Department, United States Army.

P10053-1044E, W. R. Grace & Co.
P10070-1045E, Wessel-Duval & Co.
P10111-1046E, H. J. Baker & Bro.

P10317-1059E Du Pont Nitrate Co.

Average cost of nitrate of soda, \$4.50 per 100 pounds.

Selling price from March to June 30, \$4.075 per 100 pounds (less 2½ per cent).

Selling price during month of July, \$2.9965776 per 100 pounds (less 2½ per cent).

Memorandum for Lieut. Col. Hawkins.

Subject: Prices for nitrate of soda.

1. The writer begs to confirm telephone advice to Capt. Mercer, of the War Department, which he understands that the matter will be taken up with you and expressing the writer's advice that this price should be the same for May as it was for March and April, namely, \$4.07½ less 2½ per cent. Of course, you understand that the 2½ per cent is the compensation allowed the importers, Messrs. W. R. Grace & Co., Wessel Duval & Co., H. J. Baker & Bro., agents for Anthony Gibbs & Co., and the Du Pont Nitrate Co., as a selling commission.

2. The quicker you can advise the importers the better it will be, as consumers of nitrate are liable to hold off buying until they are sure the price will not be changed for May.

H. RAY PAIGE,
Representing War Trade Board,
Nitrate Committee of United States.

OCTOBER 10, 1919.

Memorandum for Lieut. Col. Hawkins.

Subject: Prices for nitrate of soda.

I certify that I have examined all books and papers of Messrs. W. R. Grace & Co., H. J. Baker & Bros., and Wessel Duval & Co. pertaining to the sales of nitrate of soda during the month of July, 1919, and find the average price of all sales, including their stock and United States Ordnance Department stock, to be \$0.0299657767 per pound.

JAMES F. ADAMS,
Captain, Ordnance Department, United States Army.

NITRATE OF SODA.

The disposition of Army nitrate of soda as of August 12 seems to be as follows:

	Short tons.
Total stock (including 57,000 tons from Du Pont and others).....	596, 936
Distribution:	Short tons.
In Army reserve depots.....	336, 000
Sold to Department of Agriculture.....	120, 618. 5
Sold by importers.....	123, 732
Sold outside of importers.....	6, 956. 5
Destroyed by fire and dropped on board ship.....	1, 637
Total.....	588, 944
Balance to be sold.....	7, 992

In addition to this balance there is approximately 3,000 tons of the sailing vessel *Thiers*, which it is thought will dock at Charleston within the next two weeks. Maj. Gelshenen informs the writer that this cargo is for Government stores.

[Order No. War-Ord-P10317-1059E. Du Pont Nitrate Co. and United States of America. Ordnance Department, United States Army.]

THIRD SUPPLEMENTAL CONTRACT—DATED MARCH, 1919.

This agreement entered into this ——— day of March, 1919, by and between the Du Pont Nitrate Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having its principal office at

ilmington, Del. (hereinafter called the contractor), of the first part and the United States of America, by R. H. Hawkins, major, Ordnance Department, United States Army (hereinafter called the contracting officer), acting under the authority of the Secretary of War, and by direction of the Chief of Ordnance, United States Army, party of the second part.

Witnesseth: Whereas the parties hereto entered into a certain contract let the second day of May, 1918, and designated by Order No. War-Ord-10317-1059E for the sale to the United States of 174,750 long tons of 22 trials of 46 kilograms each net weight of 96 per cent refined or 95 per cent ordinary nitrate of soda; and

Whereas the parties hereto now desire to supplement said contract in the interest of the United States in order to allow the contractor to sell certain surplus stocks of the nitrate of soda in the possession of the Ordnance Department, and stored within the United States; and

Whereas said nitrate of soda has been procured and acquired by the United States since April 6, 1917; and

Whereas the United States deems it expedient to dispose of the same to the best advantage:

Now, therefore, under the laws of the United States in such cases made and provided, and in consideration of the mutual agreements herein contained, the said parties have agreed as follows:

ARTICLE I. *Material to be sold.*—The contractor agrees to use its best efforts to sell for the account of the United States at the best prices obtainable and subject to the approval of the Chief of Ordnance, approximately 100,000 tons of 2,000 pounds each of nitrate of soda (hereinafter called the nitrate).

ARTICLE II. *Analysis.*—The nitrate shall test at least 95 per cent by customary West Coast analysis. The United States shall furnish copy of West Coast analysis for the nitrate delivered. If it is impossible to identify the nitrate delivered and/or furnish West Coast analysis, analysis of sample drawn at time of shipment shall govern. In the event of undertest, usual West Coast allowance shall govern.

ARTICLE III. *Weights.*—Weights of the nitrate at the cost of the United States shall be determined by sworn weigher at point of storage at the time of delivery by the United States, less tare of seven-tenths of 1 per cent. In the event that the point of storage makes it impracticable to obtain sworn weights, the methods of weighing shall be determined by agreement between the contracting officer and the contractor, or if they fail to agree as may be determined by the Secretary of War.

ARTICLE IV. *Shipping.*—The nitrate shall be shipped from stored lots on the basis of ex stores at the point of storage, sacked in single bags and customary good order.

ARTICLE V. *Delivery.*—The United States shall deliver to the contractor the nitrate as called for by it.

The contractor will promptly load the nitrate called for on cars or other conveyance furnished by it.

Title to the nitrate shall pass on loading and no further responsibility shall attach to the United States in respect thereto.

ARTICLE VI. *Method of sale.*—So long as the restrictions prohibiting the importation into the United States of nitrate of soda in effect at the date of the execution of this contract remain in effect the contractor agrees to sell as much of the nitrate as possible.

If during the currency of this contract the restrictions prohibiting the importation into the United States of nitrate of soda in effect at the date of the execution of this contract are removed and the importation of nitrate of soda into the United States is thereby permitted, the contractor agrees thereafter to sell the remaining nitrate on the basis of not less than 1 pound of the nitrate to 2 pounds of nitrate of soda owned or controlled by the contractor. The price to be paid by the contractor to the United States for the nitrate so sold shall be established on the first day of the month next succeeding the date upon which said restrictions prohibiting the importation of nitrate of soda into the United States are removed and on the first day of each succeeding month during the currency of this contract.

ARTICLE VII. *Contract price.*—The contract price to be paid by the contractor to the United States for the nitrate sold and delivered prior to the removal of the restrictions prohibiting the importation of nitrate of soda into the United States shall be an amount per ton of 2,000 pounds each, determined by an experienced and duly qualified representative of the contracting officer, and

an experienced and duly qualified representative of Antony Gibbs & Co., by H. J. Baker & Bro., agents, W. R. Grace & Co., and Wessel, Duval & Co., and in the event of their failure to agree by a third person selected by these two, whose decision shall be final and binding upon both parties to this contract, less 2½ per cent thereof representing an allowance to the contractor to cover the cost of selling and other proper items of expense.

The contract price to be paid by the contractor to the United States for the nitrate sold subsequent to the removal of the restrictions prohibiting the importation into the United States of nitrate of soda shall be the average monthly price per ton of 2,000 pounds each of the combined sales, and deliveries of all nitrate sold and delivered subsequent to the removal of said restrictions by Antony Gibbs & Co., by H. J. Baker & Bro., agents, W. R. Grace & Co., and Wessel, Duval & Co., during the month of delivery, less 2½ per cent thereof representing the cost of sale and other proper items of expense. Said contract price shall be determined by an experienced and duly qualified representative of the contracting officer.

The contract price determined as herein provided shall be paid by the contractor to the United States at Washington, D. C., or other point indicated by the United States in funds acceptable to the United States on the 20th day of each month for all nitrate called for during the preceding month.

ARTICLE VIII. *Distribution of the nitrate by contractor.*—It is expressly understood and agreed that the contractor shall only sell the nitrate to E. I. Du Pont & Co., the Atlas Powder Co., and the Hercules Powder Co., in quantities requisite for use and consumption by said corporations.

ARTICLE IX. *Equalization of freight.*—The contract price of the nitrate shall be basis of port of delivery nearest to consuming point declared by the contractor. The United States may ship from any point or port other than the one above specified. In such event the United States will allow the extra cost, or receive the extra benefit of freight to final destination on all quantities so substituted. Adjustment of freight will be made on monthly settling days. The contractor shall furnish to the contracting officer copies of the bill of lading and freight vouchers.

ARTICLE X. *Supervision.*—The contractor shall maintain or furnish their personal agent at their expense at the point of storage or United States depot, to supervise shipments, to arrange for the necessary and proper repair, reconditioning and repacking of the nitrate. The contractor will perform said work and furnish the necessary material therefor at actual cost, which cost, together with cost of weighing, shall be deducted from the monthly settlements.

ARTICLE XI. *Provisions of original contract and supplemental contract to remain in effect.*—Except as herein modified, all the terms and conditions of the said original contract, dated May 2, 1918, and said first supplemental contract, dated September 20, 1918, and said second supplemental contract dated December 14, 1918, shall remain in full force and effect.

In witness whereof, the parties hereto have caused this supplemental contract to be executed (in triplicate) by their duly authorized officers the day and year first above written.

Witnesses:

_____,

BOONE G. HARDING.

DU PONT NITRATE Co.,

By _____,

Contractor.

UNITED STATES OF AMERICA,

By R. H. HAWKINS,
Major, Ordnance Department,
United States Army.

[Order No. War—Ord.—P 10317—1059 E. Du Pont Nitrate Co. and United States of America. Ordnance Department, United States Army.]

FIXED PRICE CONTRACT, SUBJECT TO ADJUSTMENT, 174,750 TONS OF NITRATE OF SODA—DATED MAY 2, 1918.

This agreement, entered into this 2d day of May, 1918, by and between Du Pont Nitrate Co., a corporation organized and existing under and by virtue of the laws of the State of Delaware and having its general office at Wilmington, Del. (hereinafter called the contractor), party of the first part, and the United States of America, acting through and represented by _____, Lieutenant colonel, Ordnance Department, United States Army (hereinafter called the contracting officer), duly authorized under authority of the Secre-

of War to make and execute contracts to be performed under the direction of Samuel McRoberts, brigadier general, Ordnance Department, United States Army, or his successor, as head of the Procurement Division, Office of Chief of Ordnance, party of the second part,

Witnesseth: Whereas a state of war exists between the United States of America and the Imperial German and the Imperial and Royal Austro-Hungarian Governments, and the usual requirements for advertisement for bids are dispensed with,

Now, therefore, under the laws of the United States in such cases made and provided, and in consideration of the mutual agreements herein contained, the said parties have agreed as follows:

Article I. The contractor shall sell and deliver to the United States, and the United States shall buy, receive, and pay for 174,750 long tons of 22 quintals of 46 kilograms each, net weight, of 96 per cent refined nitrate of soda, arrived at by deduction of the customhouse official tare from the gross weight. The contractor shall, however, have the right to deliver 95 per cent ordinary nitrate of soda in lieu of any part of the aforesaid quantity of 96 per cent refined nitrate of soda. The nitrate of soda shall be of current quality, sacked in customary bags. Analysis of nitrate of soda delivered hereunder, as shown by original West Coast Certificates of Analysis, made in the customary manner, as provided by the contracts under which the contractor purchases the nitrate of soda in Chile, shall be accepted by the parties hereto.

Article II. The contractor shall make delivery as follows:

Long tons.

During the month of May, 1918.....	10, 000
During the month of June, 1918.....	20, 500
During the month of July, 1918.....	40, 000
During the month of August, 1918.....	47, 583
During the month of September, 1918.....	20, 000
During the month of October, 1918.....	20, 000
During the month of November, 1918.....	16, 667

The United States shall have the privilege of increasing by not more than 10 per cent the above quantity for any month or months, provided reasonable notice of such increase be given to the contractor, and provided nitrate of soda to meet the increased monthly quantities can be secured by the contractor in Chile.

Article III. The nitrate of soda shall be delivered in the usual Chilean ports alongside the vessel or vessels provided by the United States, and designated by the Chief of Ordnance or his representative or by any board or department named by the Chief of Ordnance. If so required by the Chief of Ordnance, canvas strops or slings of canvas or net shall be used for the shipping of the nitrate of soda, and same shall be provided by the contractor at the cost of the United States. The contractor shall notify the Chief of Ordnance as soon as possible and in each case prior to the time for delivery thereof, whether nitrate of soda to be delivered will be 96 per cent refined or 95 per cent ordinary. The United States shall provide the vessels necessary to lift each month's delivery, and shall notify the contractor in writing of the approximate time when each vessel will be ready to receive cargo and the approximate quantity the vessel will load. When any vessel is ready to receive cargo, the contractor shall promptly begin to load such vessel and will proceed with such loading with all possible dispatch. The United States shall in each case be allowed a period of 30 days or 40 days (depending on which period is specified in the particular contract under which the nitrate of soda is purchased by the contractor for delivery in Chile) from the respective dates of delivery provided for in contractor's purchase contracts in which to provide vessels therefor, and any part of any month's deliveries not lifted by the United States within said time shall be suitably stored as customary in the custody of the contractor for account of the United States. The contractor shall forthwith notify the Chief of Ordnance in writing when any such nitrate of soda is stored, giving the name of the warehouse and the particulars of the contract under which such stored nitrate of soda was purchased. After any such nitrate of soda has been duly stored in a warehouse it shall be deemed to be delivered to the United States, and thereafter all costs and risks shall be for the sole account of the United States. The contractor shall not insure the nitrate of soda against loss after delivery thereof to the United States. The United States shall bear all lighterage or craft losses, and any nitrate

of soda so lost or damaged shall be deemed delivered. This provision shall not be deemed to relieve the contractor from its obligations to use due and proper care to safeguard such property.

Article IV. The price to be paid by the United States to the contractor for the nitrate of soda delivered hereunder shall be the sum of the following items:

(1) The f. a. s. Chile price per quintal of the ley of 95 per cent or 96 per cent, as the case may be, as fixed and determined by the nitrate committee of the United States for the respective months in which deliveries are made. The f. a. s. Chile price per quintal, as fixed by the nitrate committee of the United States for each month, shall be the average of the prices per quintal fixed by the London executive for all nitrate of soda purchased under its direction for delivery in such month.

(2) Three-eighths of 1 per cent upon the amounts specified in subdivision 1 to cover the contractor's overhead expense in Chile.

(3) All expenses necessarily incurred and paid by the contractor for loading, assay, freight on samples to Valparaiso, consular invoices, coast cables, contract stamps, separation of grades of nitrate of soda in cargoes, and all other similar expenses incurred prior to the delivery of the nitrate of soda to the United States. Statements of all such expenses shall be submitted from time to time by the contractor to the nitrate committee of the United States in New York City, and when approved by said committee shall be submitted to the Chief of Ordnance, whose approval or disapproval of any item shall be final and conclusive on both parties hereto. It shall be the duty of the contractor to use its best efforts to keep said expenses as low as possible.

In the event that the price of any of the nitrate of soda to be delivered hereunder can not be fixed as herein provided by reason of prior termination of the authority and control of the London executive or of the nitrate committee of the United States or otherwise, then the price of such nitrate of soda shall, if this contract is not terminated as hereinafter provided, be the average f. a. s. cost in Chile, to be ascertained and fixed, so far as practicable, upon the same basis as such average f. a. s. cost in Chile is at present fixed hereunder, plus three-eighths of 1 per cent thereon and the expenses of the contractor above specified.

Article V. It is understood that the nitrate of soda to be delivered hereunder is to be purchased by the contractor for delivery in Chile on the terms prevailing in the market, under the direction of and within the price limits authorized by the London executive. The contractor has no control over the London executive or over the prices fixed by the London executive. At the present time the terms prevailing in the purchase and sale of 95 per cent and 96 per cent nitrate of soda are those stated in the printed standard forms of contract hereto annexed, marked exhibits A and B, respectively. In the event of any generally accepted modification in the terms of said standard forms, the terms as so modified shall be the terms under which purchases by the contractor shall thereafter be made, and it shall be the duty of the contractor to immediately notify the Chief of Ordnance of any such change. In the event of any such change, the Chief of Ordnance shall have the right, at his option, at any time thereafter to terminate this contract upon written notice to the contractor, and after such notice the contractor shall make no further purchases for delivery hereunder. Notwithstanding such termination, however, the contractor shall deliver and the United States shall receive and pay for nitrate of soda purchased by the contractor for the fulfillment of this contract prior to such termination.

The f. a. s. Chile price to be paid to the contractor as provided in Article IV hereof shall be decreased according to analysis in each case in accordance with the provisions for such decrease contained in said exhibits A and B. The contractor shall strictly enforce all the terms and provisions of the contracts under which it purchases nitrate of soda for the fulfillment of this contract. All benefits, allowances, damages, and other pecuniary advantages accruing to the contractor under its contracts for the purchase of nitrate of soda for delivery hereunder, apart from the price fixed pursuant to Article IV of this contract shall be for the account of the United States and payments to be made by the United States to the contractor shall be adjusted accordingly.

Article VI. The f. a. s. cost to the contractor of the nitrate of soda is payable by the contractor in Chile by approved 90-day sight drafts on London, to pay which the contractor shall purchase sterling exchange on London by 90-day sight drafts in United States currency on New York City drawn by the contractor. The amount of the draft to be drawn by the contractor shall

be determined by the demand rate of exchange, certified by the National City Bank of New York, on the day on which the contractor is required to deliver such drafts on London. The contractor shall immediately advise the United States of the dates of delivery, due dates, and amounts of the drafts on New York drawn by it against each delivery.

On delivery to the United States of the nitrate of soda for which any such draft on New York has been given, the United States will pay to the contractor in United States gold, or its equivalent, in New York City the amount necessary to meet such draft; such payments to be made by the United States within 120 days after the respective drafts are delivered by the contractor, pursuant to the terms of its contracts with the sellers of the nitrate of soda in Chile. If the United States should anticipate such payments, it will receive the customary allowance for interest for so anticipating. The method of payment by the United States may at any time be changed at the option of the Chief of Ordnance.

Payments becoming due to the contractor under subdivisions 2 and 3 of Article IV shall be made promptly upon presentation and approval of statements from time to time.

All payments made to the contractor shall be subject to adjustment and correction. Promptly after the price of the nitrate of soda delivered in each month has been determined as provided in Article IV, the parties shall correct and adjust payments theretofore made. Any balance found on such adjustment to be due from the United States to the contractor shall be paid and any overpayment shall be refunded to the United States or deducted from subsequent payments, as may be determined by the Chief of Ordnance, to the end that the final price to be paid by the United States for all nitrate of soda delivered hereunder shall be the price fixed and determined in accordance with the provisions of Article IV. All statements with respect to transactions under this contract shall be prepared by the contractor and promptly submitted for approval to the nitrate committee of the United States or its successor appointed by or under the supervision of the War Industries Board, and shall be approved by such committee before being presented to the Chief of Ordnance for adjustment, pro or contra. The contractor shall prepare and file a statement with respect to each delivery of nitrate of soda.

Article VII. The United States hereby appoints the contractor or its agent in Chile to attend to the loading, shipping, and documentation and caring for the property of the United States, and as its agent to attend to the unloading of vessels upon arrival at port in the United States, and arranging for the transportation and distribution of the nitrate of soda from ports of discharge in the United States, and the contractor hereby agrees to act as agent of the United States for the purposes aforesaid and in all matters to protect and safeguard the interests of the United States. The contractor shall not attend to the unloading of vessels of the Panama Railroad & Steamship Co. or the transportation or distribution of the cargoes therefrom unless hereafter requested so to do by the Chief of Ordnance.

The contractor is hereby instructed by the United States not to effect insurance against fire, war, marine, or other risks or perils with respect to any nitrate of soda belonging to the United States at any time in its possession or under its control as such agent. It shall, however, be the duty of the contractor to immediately notify the United States of any unusual peril or risk in so far as possible and to act in accordance with directions given by the Chief of Ordnance.

As compensation for its services as agent the United States shall pay 5 cents per ton (2,240 pounds) of nitrate of soda received in the United States and actually unloaded and distributed by the contractor; and in addition the United States shall reimburse the contractor for all proper expenses necessarily incurred and paid by the contractor in connection with such unloading and distributing. Statements of all such expenses shall be submitted from time to time by the contractor to the nitrate committee of the United States in New York City, and when approved by said committee shall be submitted to the Chief of Ordnance, whose approval or disapproval of any item shall be final and conclusive on both parties hereto. It shall be the duty of the contractor to use its best efforts to keep said expenses as low as possible. It is not intended that the contractor shall be paid any share of its overhead expense other than that specified in Article IV.

Payments becoming due to the contractor as compensation hereunder shall be made 30 days after arrival of cargoes at port of discharge and distri-

bution thereof, upon presentation or satisfactory proof of such arrival and distribution. Reimbursement of expenses shall be made promptly upon presentation and approval of statements from time to time.

Article VIII. The United States reserves the right to terminate the appointment of the contractor as agent in either Chile or the United States, or both, and to appoint any other agents from time to time. Such termination of the contractor's agency shall not in any way affect the obligations of the contractor to deliver or the obligations of the United States to receive and pay for nitrate of soda upon the terms provided in this contract.

Article IX. This contract being necessitated by a state of war now existing, it is desirable and expedient that provision be made for its termination upon fair and equitable terms upon the termination or limitation of the war, or if in anticipation thereof or because of changes in methods of warfare the Chief of Ordnance should be of the opinion that the completion of this contract has become unnecessary. It is therefore provided that at any time and from time to time during the currency of this contract the Chief of Ordnance may terminate this contract in whole or in part and notify the contractor that any part of the nitrate of soda then remaining to be delivered shall not be delivered.

If at any time during the currency of this contract the London executive should be discontinued or the authority or control of the London executive in connection with the purchase of nitrate of soda should be modified, the Chief of Ordnance may, at his option, terminate this contract and notify the contractor that any nitrate of soda then remaining to be delivered shall not be delivered.

In the event of the termination of this contract as in this article provided, the United States will accept delivery of and pay the contractor for nitrate of soda theretofore purchased by the contractor pursuant to instructions of the London executive for the fulfillment of this contract provided that the contractor can not be otherwise relieved from such purchase. For the purpose of this article the contractor shall be deemed to have purchased for the fulfillment of this contract such proportionate part of the total quantity of nitrate of soda purchased by the contractor pursuant to instructions of the London executive and remaining on hand at the time of such termination or deliverable to the contractor under then existing contracts as the quantity of nitrate of soda then remaining to be delivered by the contractor to the United States under this contract (exclusive of any deliveries that shall be in arrears by reason of the fault or neglect of the contractor) bears to the total quantity of nitrate of soda thereafter deliverable by the contractor under sale contracts.

Article X. Whenever so required the contractor shall use its best efforts to sell in Chile for account of the United States at the best prices obtainable and subject to the approval of the Chief of Ordnance any nitrate of soda purchased by the United States but which for any reason has not been shipped. Such services shall be rendered by the contractor without charge other than actual expenses incurred in making such sales.

Article XI. No member of or Delegate to Congress or Resident Commissioner is or shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this article shall not apply to this contract so far as it may be within the operation or exception of section 116 of the act of Congress approved March 4, 1909. (35 Stats., 1109.)

Article XII. Neither this contract nor any right to receive payment hereunder shall be assigned to any person, firm, or corporation.

Article XIII. No person or persons shall be employed in the performance of this contract who are undergoing sentences of imprisonment at hard labor which have been imposed by the courts of the several States, Territories, or municipalities having criminal jurisdiction.

Article XIV. The following terms whenever used in this contract shall have the following meanings, respectively:

(a) "Chief of Ordnance": The Acting Chief of Ordnance or any person designated to act in that capacity or his duly authorized representative.

(b) "London executive": The international committee formed for the purchase of Chilean nitrate among the nations now allied in the war against the Imperial German and the Imperial and Royal Austro-Hungarian Governments, such committee having its headquarters in London, England.

(c) "War Industries Board": The board of that name and any successor board, committee, or department duly appointed to succeed to its functions.

(d) "Nitrate Committee of the United States": The committee of that name organized under arrangements with the War Industries Board and having its office in New York City, or the successors of such committee.

Notice under this contract shall be deemed to have been sufficiently given:

(a) To the contractor when mailed in a sealed postpaid wrapper to the contractor at the address given on page 1 of this contract.

(b) To the United States when mailed in a sealed postpaid wrapper addressed Chief of Ordnance, War Department, Washington, D. C.

Article XV. In case performance by contractor shall be delayed or rendered impossible by action of the London executive or by force majeure, including war, governmental authority, embargoes, governmental prohibition of or restrictions upon exports or imports, civil commotions, labor strikes, accidents, loss or damage by act of God or the elements, interference with transportation, or any other contingency beyond the contractor's control, and whether herein specifically enumerated or not, in connection with the production, refinement, or transportation to port or delivery of the nitrate of soda covered by this contract, the time for delivery shall be extended for a period equal to the period of such delay. Contractor shall in no event be held responsible for any contingency beyond its control, whether herein specifically provided for or not.

Article XVI. Any doubts or disputes which may arise as to the meaning of anything in this contract shall be referred to the Chief of Ordnance for determination. If, however, the contractor shall feel aggrieved at any decision of the Chief of Ordnance upon such reference it shall have the right to submit same to the Secretary of War, whose decision shall be final and binding on both parties hereto.

In witness whereof the parties hereto have caused this contract to be executed under their seals in triplicate by their respective officers, thereunto duly authorized, the day and year first above written.

Witnesses:

DU PONT NITRATE Co.,

Contractor.

UNITED STATES OF AMERICA,

By _____,

Lieutenant Colonel, Ordnance Department, U. S. A.,

Contracting Officer.

EXHIBIT A. CONTRACT FOR 95 PER CENT NITRATE OF SODA F. A. S. VALPARAISO PAYMENT.

Copy:

Deliverable from _____,
Vessel _____,
Quintals _____,
Port _____,
Price _____,
Amount _____,
Due _____.

1 EAST INDIA AVENUE,
London, E. C., 3, _____.

Between _____, as sellers of the one part, and _____, as buyers of the other part, the following contract has been agreed upon, both parties holding themselves mutually responsible for its true fulfillment, even in the event of its being transferred to a third party.

1 _____ sell and _____ buy the fixed quantity of _____ quintals, of 46 kilograms each, net weight, of nitrate of soda, arrived at by deduction of the customhouse official tare from the gross weight.

2 The nitrate shall be of current quality, sacked in good bags, and shall be delivered in the port of _____ alongside the vessel or vessels named by the buyers, who shall have the right to insist on the use of canvas straps, or slings of canvas or of net, which they shall for this purpose provide for the shipping of the nitrate. All maritime risks shall be for account of the buyers. Any disputes on these points shall be definitely settled at the port of shipment by arbitrators appointed in conformity with the second paragraph of article _____.

3 The price of the nitrate shall be _____ sterling per quintal, of 95 per cent. If the ley should result less than that stipulated, the be reduced in conformity with the following scale:

One per cent for the first unit from 95 per cent to 94 per cent, and in addition, 3 per cent for the second unit from 94 per cent to 93 per cent, i. e., 4 per cent for 2 units; and in addition, 4 per cent for the third unit from 93 per cent to 92 per cent, i. e., 8 per cent for 3 units; and in addition, 5 per cent for the fourth unit from 92 per cent to 91 per cent, i. e., 13 per cent for 4 units; and in addition, 8 per cent for each further unit below 91 per cent. Any fraction of a unit shall be allowed for proportionately to the percentage appertaining to that particular unit.

4. The value of the nitrate, subject matter of this contract, is payable in Valparaiso on the first weekly settling day after 30 days from the ——— inclusive ——— in good nitrate drafts on London at 90 days' sight to the satisfaction of the sellers within the classification of good nitrate drafts approved by the Directorate of the Asociación Salitrera de Propaganda and the Valparaiso Chamber of Commerce; but in the event of the total delivery of the ——— quintals, or of that part which corresponds to each vessel, in the case of shipment to more than one vessel, being completed before that date, one of the following courses shall be adopted at the option of the sellers:

A. Bills of lading, extended to the order of whomsoever the buyers may direct, shall be delivered in the port of shipment to the buyers or their agents in exchange for a voucher given in Valparaiso whereby the buyers bind themselves to pay the value of the nitrate in that city on the first weekly settling day occurring after delivery of the bills of lading.

B. Bills of lading extended to the order of the sellers shall be delivered to the sellers or to their agents, who will deliver them, duly indorsed, to the buyers or their agents in the port of shipment on the next weekly settling day on receipt of advice that the sellers have received payment in Valparaiso of the value of the nitrate. But buyers may ask for the immediate delivery in the port of shipment of the bills of lading made out to order of whomsoever they may direct, in which case the said documents will be handed over on receipt of advice from Valparaiso that payment of the value of the nitrate has been effected irrespective of the settling day. The firm receiving the value of the nitrate must telegraph advice thereof by the quickest route as soon as the payment is effected. Sellers can exercise their option to adopt Form B before the commencement of the period of 40 days for the delivery of the nitrate stipulated in the first paragraph of article 5, and, if they do not, it is understood that the delivery of the bills of lading and the payment will be effected in accordance with Form A.

The delivery of the drafts shall be effected in conformity with the regulation agreed upon between the Asociación Salitrera de Propaganda, and the Valparaiso Chamber of Commerce, dated the 28th of June and 1st of September, 1910, and it is expressly agreed that the details of the drafts to be issued shall be furnished not later than 6 p. m. of the day before the date of payment, and that payment can not be demanded unless these requirements have been opportunely complied with.

If at the expiration of the period fixed for the payment delivery has not been effected or assays not made, payment shall none the less be considered due for ——— quintals of nitrate of 95 per cent ley, and the balance that may finally result in pro or in contra shall be adjusted without charge or allowance of interest as soon as the assays have been completed.

Without releasing the seller from his liability, the bank, firm, or person receiving part or the whole of the amount, value of this contract, shall refund the amount corresponding to the reduction in price for inferiority of ley.

In the event of interruption of loading owing to strikes, lockouts, or other fortuitous cause, the buyer shall retain out of the price 2 shillings and 6 pence sterling for each quintal of nitrate not yet shipped, and shall pay the sum so retained on the second weekly settlement day after the resumption of shipments following the termination of the strike, lockout, or fortuitous cause.

In the event of loading of nitrate in the port of shipment having been stopped by strikes, lockouts, or other fortuitous cause for the 30 consecutive days preceding the date on which payment is due in accordance with the first clause of this article, such payment, the subject matter of this contract, shall be postponed until the second weekly settlement after the resumption of shipments following the termination of the strike, lockout, or fortuitous cause, unless the shipment should have been completed previously, in which case payment shall be effected in conformity with the provisions of Forms A or B, according to the option exercised by the sellers.

5. The buyers shall be allowed a period of 40 days commencing on the ———, inclusive, in which to provide at the loading port a steamer or sailing

vessel to receive the nitrate, any delay or default being for account of the buyers. The agents or representatives of the buyers shall give notice in writing to the sellers or their agents of the day on which the vessel will be ready to receive cargo and must allow the sellers in the case of steamers the time necessary, and in the case of sailing vessels one working day at least, for effecting the necessary customhouse formalities. At the time of giving this notice the buyers shall also give sellers as approximate an indication as possible of the quantity the vessel will load. Sellers must deliver the nitrate in the quantities asked for by the buyers up to 250 tons per each working day or in ——— working days reckoned from the day named by the buyers for the commencement of loading as stipulated in the preceding paragraph.

Surf days declared as such by the maritime governor or captain of the port of shipment, Sundays, and all other legal feast days or days which may be declared as such by competent authority, days of strike, lockout, or days not available for loading owing to fortuitous causes, shall not be considered as working days.

In the case of a sailing vessel that has not completed the discharge of her inward cargo, sellers must deliver daily the quantity of nitrate asked for by the buyers within the limit of the daily quantity stipulated by the contract, provided that the ship is ready to receive stiffening, which can not be before ———. It is understood that days employed in supplying nitrate for stiffening shall not count as ley days.

The delivery of the nitrate bought under this contract can be called for simultaneously with that purchased under other contracts with the same or other sellers for the same steamer or sailing vessel, subject to the customhouse regulations and also subject to any special clause ruling in the port of shipment, which clause must be stamped on this contract.

Buyers to have the option of taking delivery free alongside launches (with ——— loading days), in which case price to be reduced 3 farthings (¼d.) per quintal.

6. For each consecutive day of delay in delivery caused by the sellers after the expiration of the period fixed for the total delivery of nitrate demanded for a vessel, they shall pay the buyers, in the case of a steamer a fine of 6 pence sterling, and in the case of a sailing vessel 3 pence sterling, for each net registered ton of the loading vessel, and the delay must not exceed 10 consecutive days. If the delay in delivery to the same steamer or sailing vessel is caused by more than one seller, then the total fine shall be apportioned between them pro rata to the quantity that each has failed to ship in the stipulated time. This apportionment and the payment of the fine shall be made day by day.

7. Any part or the whole of the nitrate sold that the buyers have not taken delivery of within the time agreed upon in article 5 shall be considered as delivered and as being stored in the custody of the sellers for account of the buyers, who shall request the sellers in writing to name the warehouse in port where the nitrate is stored. Once the warehouse has been named in writing the fire and other risks which may affect the nitrate, the subject matter of this contract, will be for account of the buyers, who must also bear the risk in case they have omitted to ask in writing for the warehouse to be named. The risk shall be for sellers' account if the nitrate is not in warehouse, or if no warehouse has been named after this has been asked for in writing.

In the event of loss by fire or other force majeure of all or part of the nitrate so deposited for account and risk of the buyers, the sellers will immediately notify them of the fact, and will return them 2 shillings and 6 pence sterling per quintal, being the equivalent of the export duty and cost of shipment not incurred.

For the whole or any part of the nitrate not shipped and stored in the custody of the sellers or their agents, even if not all stored in the port of shipment, the buyers shall pay to the sellers an indemnity by way of warehouse rent at the rate of one-half penny per quintal for the first month and 1 penny for each following month until the shipment, even if for stiffening, commences. A month begun shall count as a month completed. If the nitrate is shipped in more than one vessel, the date on which the delivery to each vessel commenced and the quantity corresponding to it shall be reckoned separately for the purposes of warehouse rent.

8. During shipment and by mutual agreement between buyers and sellers or their agents, average samples shall be drawn, and sealed samples shall delivered for the purposes of assay to be made in Valparaiso, one by Messrs Fraser & Southward for the sellers, and another by ——— for the buyers.

the mean of these shall be taken as the final assay, provided that the difference between them is not greater than 1 per cent. Should the difference exceed 1 per cent, a third assay shall be made and the mean between the two nearest shall be accepted as final. The cost of this third assay shall be borne in equal shares by both parties, who will by mutual agreement nominate the assayer. The third assay shall only be made in the event of at least one of the two first assays giving less than 96 per cent.

Should the nitrate, the subject matter of this contract, be shipped in more than two steamers or sailing vessels, the buyers shall pay to the sellers 30 shillings for each vessel in excess of two, for cost of assay, etc.

9. In the case of the loss of the vessel — before receiving the nitrate, the subject matter of this contract, the buyers shall provide another vessel to receive it.

10. It is hereby agreed that the buyers appoint an agent to represent them at the port of shipment.

11. —

12. The nitrate, the subject matter of this contract, shall continue to be the exclusive property of the sellers until the price has been paid, and when the price is paid it becomes the exclusive property of the buyers, subject always to the stipulations contained in this contract in respect of fire, maritime, or other risks which may affect the nitrate.

13. Without prejudice to the provisions of the preceding clauses in respect of exceptional circumstances, and especially the provisions of article 4 in respect of stoppage of shipment by strikes, lockouts, or other fortuitous causes occurring in the port of shipment, it is declared that the obligations of the contracting parties are also subordinated to force majeure in other cases not specially provided for in this contract, and if in such cases delivery is postponed on account of such force majeure all the other obligations of this contract shall be equally postponed.

14. All differences or questions that may arise between the contracting parties, except the case provided for in article 2, shall be settled in Valparaíso without further recourse by amicable arbitration and the arbitrators shall be chosen from merchants connected with the nitrate trade.

The arbitrators shall be named, one by each party and the third in case of disagreement by the arbitrators themselves, or, in default of agreement, by the Courts of Justice (*justicia ordinaria*), in order that the three may form a tribunal and decide conjointly. To the fulfillment of the stipulations of this contract, the parties thereto pledge themselves with their property, present and prospective.

Brokerage — per cent.

EXHIBIT B. CONTRACT FOR 96 PER CENT NITRATE OF SODA F. A. S.
VALPARAISO PAYMENT.

Copy:

Deliverable from —
Vessel —
Quintals —
Port —
Price —
Amount —
Due —

1 EAST INDIA AVENUE,
London, E. O., 3, —

Between — as sellers of the one part, and — as buyers of the other part, the following contract has been agreed upon, both parties holding themselves mutually responsible for its true fulfillment, even in the event of its being transferred to a third party.

1. — sell and — buy the fixed quantity of — quintals, of 46 kilograms each, net weight, of nitrate of soda, arrived at by deduction of the customhouse official tare from the gross weight.

2. The nitrate shall be of current quality, sacked in good bags, and shall be delivered in the port of — alongside the vessel or vessels named by the buyers, who shall have the right to insist on the use of canvas straps, or slings of canvas or of net, which they shall for this purpose provide for the shipping of nitrate. All maritime risks shall be for account of the buyers.

Any disputes on these points shall be definitely settled at the port of shipment by arbitrators appointed in conformity with the second paragraph of article 14.

3. The price of the nitrate shall be ——— sterling per quintal, of the ley of 96 per cent. If the ley of the nitrate should result less than that stipulated, the price shall be reduced in conformity with the following scale:

Three per cent for the first unit under 96 per cent, and in addition 5 per cent for each unit under 95 per cent. Any fraction of a unit shall be allowed for proportionately to the percentage appertaining to that particular unit. For each quarter per cent or fraction of a quarter per cent of salt which the nitrate may contain in excess of 1 per cent the price shall be reduced by 1 penny.

4. The value of the nitrate, subject matter of this contract, is payable in Valparaiso on the first weekly settling day after 30 days from the ———, inclusive. In good nitrate drafts on London at 90 days' sight to the satisfaction of the sellers within the classification of good nitrate drafts approved by the Directorate of the Asociacion Salitrera de Propaganda and the Valparaiso Chamber of Commerce; but in the event of the total delivery of the ——— quintals, or of that part which corresponds to each vessel, in the case of shipment to more than one vessel, being completed before that date, one of the following courses shall be adopted at the option of the sellers:

A. Bills of lading extended to the order of whomsoever the buyers may direct shall be delivered in the port of shipment to the buyers or their agents in exchange for a voucher given in Valparaiso, whereby the buyers bind themselves to pay the value of the nitrate in that city on the first weekly settling day occurring after delivery of the bills of lading.

B. Bills of lading extended to the order of the sellers shall be delivered to the sellers or to their agents, who will deliver them, duly indorsed, to the buyers or their agents in the port of shipment on the next weekly settling day on receipt of advice that the sellers have received payment in Valparaiso of the value of the nitrate. But buyers may ask for the immediate delivery in the port of shipment of the bills of lading made out to order of whomsoever they may direct, in which case the said documents will be handed over on receipt of advice from Valparaiso that payment of the value of the nitrate has been effected, irrespective of the settling day. The firm receiving the value of the nitrate must telegraph advice thereof by the quickest route as soon as the payment is effected. Sellers can exercise their option to adopt form B. before the commencement of the period of 40 days for the delivery of the nitrate stipulated in the first paragraph of article 5, and if they do not, it is understood that the delivery of the bills of lading and the payment will be effected in accordance with form A.

The delivery of the drafts shall be effected in conformity with the regulation agreed upon between the Asociacion Salitrera de Propaganda and the Valparaiso Chamber of Commerce, dated the 28th of June and 1st of September, 1910, and it is expressly agreed that the details of the drafts to be issued shall be furnished not later than 6 p. m. of the day before the date of payment, and that payment can not be demanded unless these requirements have been opportunely complied with.

If at the expiration of the period fixed for the payment delivery has not been effected or assays not made, payment shall none the less be considered due for ——— quintal of nitrate of 96 per cent ley, and the balance that may finally result in pro or in contra shall be adjusted without charge or allowance of interest as soon as the assays have been completed.

Without releasing the seller from his liability, the bank, firm, or person receiving part or the whole of the amount, value of this contract, shall refund the amount corresponding to the reduction in price for inferiority of ley.

In the event of interruption of loading owing to strikes, lockouts, or other fortuitous cause, the buyer shall retain out of the price 20 shillings and 6 pence sterling for each quintal of nitrate not yet shipped, and shall pay the sum so retained on the second weekly settlement day after the resumption of shipments following the termination of the strike, lockout, or fortuitous cause.

In the event of loading of nitrate in the port of shipment having been stopped by strikes, lockouts, or other fortuitous cause for the 30 consecutive days preceding the date on which payment is due in accordance with the first clause of this article, such payment the subject matter of this contract shall be postponed until the second weekly settlement after the resumption of shipments following the termination of the strike, lockout, or fortuitous cause, unless the shipment should have been completed previously, in which case payment shall be effected in conformity with the provisions of Form A according to the option exercised by the sellers.

5. The buyers shall be allowed a period of 40 days commencing on the _____ inclusive in which to provide at the loading port a steamer or sailing vessel to receive the nitrate, any delay or default being for account of the buyers. The agents or representatives of the buyers shall give notice in writing to the sellers or their agents of the day on which the vessel will be ready to receive cargo, and must allow the sellers, in the case of steamers the time necessary, and in the case of sailing vessels one working day at least, for effecting the necessary customhouse formalities. At the time of giving this notice the buyers shall also give sellers as approximate an indication as possible of the quantity the vessel will load. Sellers must deliver the nitrate in the quantities asked for by the buyers up to 250 tons per each working day or in _____ working days, reckoned from the day named by the buyers for the commencement of loading as stipulated in the preceding paragraph.

Surf days declared as such by the maritime governor or captain of the port of shipment, Sundays, and all other legal feast days or days which may be declared as such by competent authority, days of strike, lockout, or days not available for loading owing to fortuitous causes, shall not be considered as working days.

In the case of a sailing vessel that has not completed the discharge of her inward cargo, sellers must deliver daily the quantity of nitrate asked for by the buyers within the limit of the daily quantity stipulated by the Contract, provided that the ship is ready to receive stiffening, which can not be before _____. It is understood that days employed in supplying nitrate for stiffening shall not count as lay days.

The delivery of the nitrate bought under this contract can be called for simultaneously with that purchased under other contracts with the same or other sellers for the same steamer or sailing vessel, subject to the customhouse regulations and also subject to any special clause ruling in the port of shipment, which clause must be stamped on this contract.

Buyers to have the option of taking delivery free alongside launches (with _____ loading days), in which case price to be reduced 3 farthings (4d.) per quintal.

6. For each consecutive day of delay in delivery caused by the sellers after the expiration of the period fixed for the total delivery of nitrate demanded for a vessel, they shall pay the buyers, in the case of a steamer, a fine of 6 pence sterling, and in the case of a sailing vessel 3 pence sterling for each net registered ton of the loading vessel, and the delay must not exceed 10 consecutive days. If the delay in delivery to the same steamer or sailing vessel is caused by more than one seller, then the total fine shall be apportioned between them, pro rata to the quantity that each has failed to ship in the stipulated time. This apportionment and the payment of the fine shall be made day by day.

7. Any part or whole of the nitrate sold that the buyers have not taken delivery of within the time agreed upon in article 5 shall be considered as delivered and as being stored in the custody of the sellers for account of the buyers, who shall request the sellers in writing to name the warehouse in port where the nitrate is stored. Once the warehouse has been named in writing the fire and other risks which may affect the nitrate, the subject matter of this contract, will be for account of the buyers, who must also bear the risk in case they have omitted to ask in writing for the warehouse to be named. The risk shall be for sellers' account if the nitrate is not in warehouse, or if no warehouse has been named after this has been asked for in writing.

In the event of loss by fire or other force majeure of all or part of the nitrate so deposited for account and risk of the buyers, the sellers will immediately notify them of the fact, and will return them 2 shillings and 6 pence sterling per quintal, being equivalent of the export duty and cost of shipment not incurred.

For the whole or any part of the nitrate not shipped, and stored in the custody of the sellers or their agents, even if not all stored in the port of shipment, the buyers shall pay to the sellers an indemnity by way of warehouse rent at the rate of one-half penny per quintal for the first month and 1 penny for each following month until the shipment, even if for stiffening, commences. A month begun shall count as a month completed. If the nitrate is shipped in more than one vessel, the date on which the delivery to each vessel commenced and the quantity corresponding to it shall be reckoned separately for the purposes of warehouse rent.

8. During shipment, and by mutual agreement between buyers and sellers, or their agents, average samples shall be drawn and sealed samples shall be delivered for the purposes of assay to be made in Valparaiso, one by Messrs. Fraser & Southward for the sellers and another by ——— for the buyers, and the mean of these shall be taken as the final assay, provided that the difference between them is not greater than 1 per cent. Should the difference exceed 1 per cent, a third assay shall be made, and the mean between the two nearest shall be accepted as final. The cost of this third assay shall be borne in equal shares by both parties, who will by mutual agreement nominate the assayer. The third assay shall only be made in the event of at least one of the two first assays giving less than 96 per cent.

Should the nitrate, the subject matter of this contract, be shipped in more than two steamers or sailing vessels, the buyers shall pay to the sellers 30 shillings for each vessel in excess of two, for cost of assays, etc.

9. In the case of the loss of the vessel ——— before receiving the nitrate the subject matter of this contract, the buyers shall provide another vessel to receive it.

10. It is hereby agreed that the buyers appoint an agent to represent them at the port of shipment.

11. ———.

12. The nitrate, the subject matter of the contract, shall continue to be the exclusive property of the sellers until the price has been paid, and when the price is paid it becomes the exclusive property of the buyers, subject always to the stipulations contained in this contract in respect of fire, maritime, or other risks which may affect the nitrate.

13. Without prejudice to the provisions of the preceding clauses in respect of exceptional circumstances, and especially the provisions of Article IV, in respect of stoppage of shipment by strikes, lockouts, or other fortuitous causes occurring in the port of shipment, it is declared that the obligations of the contracting parties are also subordinated to force majeure in other cases not especially provided for in this contract; and if in such cases delivery is postponed on account of such force majeure all the other obligations of this contract shall be equally postponed.

14. All differences or questions that may arise between the contracting parties, except the case provided for in article 2, shall be settled in Valparaiso without further recourse by amicable arbitration, and the arbitrators shall be chosen from merchants connected with the nitrate trade.

The arbitrators shall be named, one by each party and the third, in case of disagreement, by the arbitrators themselves, or, in default of agreement, by the courts of justice (*justicia ordinaria*), in order that the three may form a tribunal and decide conjointly. To the fulfillment of the stipulations of this contract, the parties thereto pledge themselves with their property, present and prospective.

Brokerage, ——— per cent.

Mr. GRAHAM. Yes; during the war. At the close of the war we had very considerable stocks of nitrate stored over the country in various places.

Maj. HUNTER. If my memory serves me rightly, we had, of sodium nitrate, 360,000 tons.

Mr. GRAHAM. Three hundred and sixty thousand tons?

Maj. HUNTER. We are retaining as a reserve 300,000 tons.

Mr. GRAHAM. How much sodium nitrate did it take to make a pound of powder?

Maj. HUNTER. It is as 85 is to 63.

Mr. GRAHAM. About a pound and a quarter?

Maj. HUNTER. About a pound and a quarter; and you can figure on approximately a 94 per cent yield. It is about 1.3. I think I can give you a chart which we have drawn up for smokeless powder of the actual amount of every raw material which enters into a pound of the finished product.

Mr. GRAHAM. Where is this sodium nitrate now, Maj. Hunter?

Maj. HUNTER. Scattered under the direction of the Field Service at the various storage depots. I can not give you the exact location of it.

Mr. GRAHAM. Now, for instance, there is a large amount of it at the Rock Island Arsenal.

Lieut. Col. HAWKINS. The nitrate of soda is being shipped into Savannah, which is across from Rock Island, for storage, but it is now scattered in the Gulf and south Atlantic ports. We are getting it into Savannah as fast as we can.

Mr. GRAHAM. You say there is 350,000 tons—

Maj. HUNTER (interposing). Three hundred thousand tons for reserve.

Mr. GRAHAM. But there was 350,000?

Maj. HUNTER. Three hundred and sixty thousand in round figures.

Lieut. Col. HAWKINS. I would like to verify that. We sold an enormous quantity of it for fertilizer and turned over an enormous quantity to the Department of Agriculture—

Mr. GRAHAM (interposing). Since the armistice?

Lieut. Col. HAWKINS (continuing). Under the direction of the Director of Sales, Mr. Hare.

Mr. GRAHAM. Do you know what price was fixed on the nitrate of soda you had that was sold for fertilizer?

Maj. HUNTER. I have the right figures on that and can give you a report.

Mr. GRAHAM. You do have the figures?

Maj. HUNTER. Yes. The amount that is in war reserve, the amount turned over to the Department of Agriculture, and the amount that was sold commercially through our agencies for fertilizer. To the Department of Agriculture we turned over 124,573 short tons.

Mr. GRAHAM. When did you turn that over?

Maj. HUNTER. Since the signing of the armistice. To domestic service, 94,950 short tons; and our Army reserve instead of 300,000 tons—I misquoted it before—is 336,000 short tons.

Mr. GRAHAM. Then you had more than you first estimated?

Maj. HUNTER. And we had in Chile to our account, which had not yet been shipped, 122,000 short tons. This is in a table which has already been furnished you.

Mr. GRAHAM. How many thousand tons does that aggregate?

Maj. HUNTER. 703,523 short tons.

Mr. GRAHAM. You mean of 2,000 pounds?

Maj. HUNTER. Yes, sir.

Mr. GRAHAM. Major, if it took a pound and a half of nitrate of soda to make a pound of powder then, at the close of the war we had enough to make, according to my computation, 938,030,666 pounds of powder.

Maj. HUNTER. If it were used for making smokeless powder only; but the consumption of nitric acid or other high explosives such as T. N. T. and picric acid were all very high.

Mr. GRAHAM. Did you use this sodium nitrate for making nitric acid exclusively?

Maj. HUNTER. Of course, there were certain amounts of that—you had to keep up the fertilizer trade in that right straight along, but

a certain amount of the nitrate imported was furnished—I do not know the allocations, I do not know the percentage of our importations during the war that was allocated to the fertilizer trade. We had to give up a certain quantity to the manufacturer of commercial explosives for mining powder and things of that kind; a certain percentage went into nitric acid which went into the manufacture of ammonium nitrate which went into diphenylamine, which is the stabilizer in smokeless powder. Nitric acid went into tetryl which is the booster material, all large consumers of nitric acid. The smallest percentage of any perhaps went into the composition of smokeless powder.

Mr. GRAHAM. Why did anyone during the war, if you know, express doubt about our being able to get sodium nitrate from Chile?

Maj. HUNTER. If the submarine warfare had been successful, it would have cut off our supply. We were depending upon importations.

Mr. GRAHAM. How did we import it, on the western coast? We had ships on the western coast, I suppose?

Maj. HUNTER. Then you would have your long overhaul. Most all of it was on the Atlantic seaboard.

Lieut. Col. HAWKINS. Through the Panama Canal in all sorts of old tubs.

Maj. HUNTER. I do not think there were any receipts on the western coast that I know of.

Mr. GRAHAM. If the submarine warfare had succeeded enough to have cut off the importation of merchandise, would it not also have cut off the exportation of men from this country to Europe?

Maj. HUNTER. If they could have cut off our supplies it would have done no good if we could have sent men to the other side.

Mr. GRAHAM. There was no more likelihood of their cutting off our supplies than of their cutting off our shipment of men to the other side?

Maj. HUNTER. The probabilities are that they could cut off our shipment of supplies easier than they could the shipment of troops, for the reason that our troop ships were convoyed.

Mr. GRAHAM. Could you not convoy the nitrate steamers?

Maj. HUNTER. It would take a vast naval force to take care of all of those things, though, and most of our importations, as Col. Hawkins has stated, were in any old kind of a sailing vessel or steamer, or tugboat that we could get hold of.

Mr. GRAHAM. With the increased shipping program, if it had turned out the way you figured, there would have been ample ships to put in there to have taken care of that, would there not? In other words, what was the use in all this immense nitrate program you were undertaking in this country at Muscle Shoals and elsewhere to build a large amount of nitrate producing plants? Was there ever a time that our supply of nitrate from Chile was imperiled in any way that you know of?

Maj. HUNTER. Only by the appearance of the submarine activities on our coast showed that they were liable at any time to stop it. I do not think it has ever been interfered with.

Mr. GRAHAM. Why was it necessary to bring ships through the Panama Canal and up the east side?

Maj. HUNTER. Our activities requiring sodium nitrate were on this side of the continent.

Mr. GRAHAM. But there were railroads, were there not?

Maj. HUNTER. But the railroad situation was pretty well congested. Our movements across the continent would have consumed a considerable length of time. I am not familiar with the reason why those shipments were made to the western coast. It could; I should say it could have been done.

Mr. GRAHAM. To what port were these ships coming?

Maj. HUNTER. Charleston—a great many ships unloaded right at the Du Pont wharf.

Mr. GRAHAM. It was cheaper for them to get it that way?

Maj. HUNTER. They would import their own that way.

Mr. GRAHAM. Yes. Was not that the secret of the reason they were shipping it up the east coast, because it was cheaper?

Maj. HUNTER. I imagine it would be cheaper. I do not know whether the marine insurance on account of the danger would be prohibitive or not.

Mr. GRAHAM. Nitrates landed at Los Angeles would have a straight line of railroad across the country, would they not?

Maj. HUNTER. Yes.

Mr. GRAHAM. Were all our powder manufacturing plants on the Atlantic coast?

Maj. HUNTER. All on the Atlantic coast. East of the Rocky Mountains. I will put it that way.

Mr. GRAHAM. I think that is all I want to ask. Mr. Jefferis, have you any questions?

Mr. JEFFERIS. When was this calculation made of smokeless powder, when England was to have 42,000,000 pounds?

Maj. HUNTER. I do not know the exact date; I have not got that with me. The estimate on which the figures I have given you were dated December 1, 1917. That is before the 1918 production. It is a result of that board about which Gen. Williams has just testified that the determination was made as to the requirements and the amounts that would probably be necessary.

Mr. JEFFERIS. Then, as I understand it, that allocation was made December 1, 1917, and was to be for the year ending December 1, 1918.

Maj. HUNTER. Well, it was to consume from January 1, 1918, to December 31, 1918?

Mr. JEFFERIS. That allocation, as I remember, was 2,000,000 to Belgium, 42,000,000 to England or Britain, 159,000,000 to France, 32,000,000 to Italy, 71,000,000 pounds to the Navy and 230,000,000 pounds to the Army of the United States?

Maj. HUNTER. Yes, sir.

Mr. JEFFERIS. Did we succeed in fulfilling that program or not?

Maj. HUNTER. I will say that at no time was there a shortage. The early productions for the year 1918. The total production from the time of our entrance into the war was 344,987,000 pounds.

Mr. JEFFERIS. That is all of the United States?

Maj. HUNTER. That is the whole United States, and that would more than cover this.

Mr. JEFFERIS. That would be the total production of the United States from the declaration of war on the part of the United States to what time?

Maj. HUNTER. To July 1 of this year.

Mr. JEFFERIS. Of 1919?

Maj. HUNTER. Yes, sir; at the time this report was rendered to your committee about which I have just spoken.

Mr. JEFFERIS. That would figure up that the production for the year in the United States would be about 536,000,000 pounds, taking the sum of these figures you have given.

Maj. HUNTER. Yes, sir.

Mr. JEFFERIS. Do you know what portion of the powder that was actually used by France was included in that 159,000,000?

Maj. HUNTER. I do not quite understand your question.

Mr. JEFFERIS. Did France use more than that or less than that in her operations?

Maj. HUNTER. That I can not tell you. In addition to her share, as allocated to her under private contract between herself and the manufacturers, we sold to the French 19,556,556 pounds.

Mr. JEFFERIS. That was out of our share?

Maj. HUNTER. Yes, sir; out of our share.

Mr. JEFFERIS. Then the United States needed for the Army and Navy for the year from January 1, 1918, to January 1, 1919, about 300,000,000 pounds?

Maj. HUNTER. Yes, sir.

Mr. JEFFERIS. Of course, we did not use anywhere near that amount, did we?

Maj. HUNTER. No, sir; we had a surplus at all times.

Mr. JEFFERIS. Do you know how much the Navy did use?

Maj. HUNTER. I have no figures on the Navy; no, sir.

Mr. JEFFERIS. So we had practically at least 200,000,000 pounds on hand at the time of the signing of the armistice?

Maj. HUNTER. Yes, sir.

Mr. JEFFERIS. That is all.

Mr. GARRETT. Do you know the difference in the distance from Chile up the Atlantic coast to Norfolk and up the Pacific coast to Los Angeles?

Maj. HUNTER. I have only got it in my mind's eye from my map, but I could not tell you in miles.

Mr. GARRETT. Well, is it a much shorter distance?

Maj. HUNTER. It is a much shorter distance.

Mr. GARRETT. All of 1,200 or 1,500 miles, is it not?

Maj. HUNTER. Yes, sir.

Mr. GRAHAM. I wish you would send us down these minutes that you have, because we may want to make some statements about this in the House and we would like to have this information available about the shipments abroad and about the importations of nitrates. Those things are very desirable.

Maj. HUNTER. The only thing I can give you on overseas shipments of powder would be that which went through the Ordnance Department. As regards shipments of powder from private manufacturers on allied account I would have to get that information from other sources. I will endeavor to get that for you.

Mr. GRAHAM. By ordnance shipments do you mean material that came from your own establishment?

Maj. HUNTER. No; I mean companies during 1918 were all under control of the United States Government.

Mr. GRAHAM. So that all powder came through the Ordnance Department during that year?

Maj. HUNTER. Yes.

Mr. GRAHAM. That will be sufficient. That will give us an idea of what was being sent overseas and what was being used and so on. We are especially concerned about this nitrate situation. We want to know about that.

Maj. HUNTER. I can give you that very easily.

Mr. GRAHAM. I think that is all. We will adjourn at this point and take a recess until 2 o'clock.

(Whereupon, at 12.45 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee resumed its session at 2 o'clock p. m. pursuant to the taking of recess.

**TESTIMONY OF WILLIAM B. GRAY, FORMERLY MAJOR,
CONSTRUCTION DIVISION, UNITED STATES ARMY.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Maj. Gray, you were formerly in the military service, were you?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. For what period were you in the service?

Mr. GRAY. I was in for 19 months. I was commissioned in September, 1917, and went into the active service in December, 1917. I was discharged July, 1919.

Mr. GRAHAM. What department were you commissioned in?

Mr. GRAY. I was commissioned in the Engineers.

Mr. GRAHAM. What was your rank?

Mr. GRAY. Major.

Mr. GRAHAM. During the whole period of your service?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. Where was your home before you went into the service?

Mr. GRAY. My home at the time I went into the service was New Rochelle, N. Y.

Mr. GRAHAM. What was your business?

Mr. GRAY. Engineer and contractor.

Mr. GRAHAM. Were you employed in that business before you went into the service?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. How long?

Mr. GRAY. Twenty-five years; ever since I left college. I have never been in any other business.

Mr. GRAHAM. Did you receive a technical education?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. What?

Mr. GRAY. In the technical department of the Delaware College, State of Delaware.

Mr. GRAHAM. What is your age?

Mr. GRAY. I am 49.

Mr. GRAHAM. How did you happen to get into the military service?

Mr. GRAY. I made application in 1916 to the Officers' Reserve Corps and was commissioned then, and those commissions were withdrawn; and before war was declared I saw it coming, and I offered my services again, and I was ordered for examination, I think it was in May, after the war was declared, to a board of Army officers in New York City, and I went there and was examined, and then they sent me for physical examination again in July, and then my commission came in September.

Mr. GRAHAM. September, 1917?

Mr. GRAY. September, 1917; and it came—

Mr. GRAHAM. In the meantime had you been working—

Mr. GRAY (interposing). Yes.

Mr. GRAHAM (continuing). For the Government?

Mr. GRAY. No; I never worked for the Government; no, sir. I was actively engaged—my office was No. 2 Rector Street, New York, and I was actively engaged in business, and I cleaned up all the contracts I had, and sold my office furniture and reported for duty. I gave up all my business.

Mr. GRAHAM. What sort of engineering work had you done?

Mr. GRAY. Why, in the last 10 or 12 years I have done some very heavy work. I built the Marysville yards, at Marysville, Pa., for the Pennsylvania Railroad. I was in charge of that work for the contractor; the contractor was H. S. Kerbaugh (Inc.). That was a job involving about \$2,000,000. I completed the Rockville Bridge, which is the longest arch bridge in the world; it is a mile long. And then I had charge of the construction of the Enola freight yards of the Pennsylvania Railroad. That involved \$7,000,000 or \$8,000,000. Then on the completion of that yard I had charge of the low-grade freight line, 16 miles of the low-grade freight lines for the same contractors for the Pennsylvania Railroad; that work cost about a million dollars a mile; it was practically all rock excavation. On the Enola yards I had 22 steam shovels and 5,500 men; 125 locomotives.

Mr. GRAHAM. So that you were a practical engineer?

Mr. GRAY. Yes, sir; a constructor; my engineering has been more constructing than designing.

Mr. GRAHAM. About your work, had you become pretty well conversant with explosives and their nature?

Mr. GRAY. Yes; my work was largely rock work which required the handling of high explosives in large quantities.

Mr. GRAHAM. Well, when you went into the department, what work did they assign you to?

Mr. GRAY. Well, they assigned me first as constructing quartermaster at the Middletown Ordnance Depot, at Middletown, Pa.

Mr. GRAHAM. How long were you there?

Mr. GRAY. From March until September, 1918.

Mr. GRAHAM. And then what did you do?

Mr. GRAY. And then I was ordered from there as the constructing officer on the Marlin-Rockwell plant at Delaware City, Del.

Mr. GRAHAM. Did you go there at once?

Mr. GRAY. I went there under particular instructions in the early part of September; that is, from the 1st to the 3d.

Mr. JEFFRIES. That is 1918?

Mr. GRAY. Yes; September, 1918. My special order came transferring me there on the 9th of September.

Mr. GRAHAM. Who did you get that order from?

Mr. GRAY. That order came from The Adjutant General.

Mr. GRAHAM. And then did you report in Washington?

Mr. GRAY. No; I did not report in Washington. I reported at the site at Delaware City.

Mr. GRAHAM. Did you go there at once?

Mr. GRAY. I went there at once; yes.

Mr. GRAHAM. When you first went there who did you see?

Mr. GRAY. I saw a man that had been manager for Marlin-Rockwell Loading Co., his name was Russell; he told me that he had just been commissioned as a captain in the Ordnance Department.

Mr. GRAHAM. When you got there, was he in uniform?

Mr. GRAY. He was not in uniform; no, sir.

Mr. GRAHAM. Do you know whether he had any relatives working in the War Department elsewhere?

Mr. GRAY. I understand that his brother was at that time secretary to the Assistant Secretary of War, Mr. Crowell.

Mr. GRAHAM. Did he tell you how long since he had been commissioned?

Mr. GRAY. He told me he had been commissioned, I think, he said a week or 10 days.

Mr. GRAHAM. Tell us that conversation, as you remember it, that you had with this man Russell.

Mr. GRAY. Why, he told me that he was—that I was a week too late in coming there to take charge of the Marlin-Rockwell plant; that at a conference in Washington it had been decided not to turn the Marlin-Rockwell over to the Construction Division; that he would advise me to return to Harrisburg, and that I was under a misapprehension and that his advice was that I go back to Harrisburg. I told him I was under military orders and I would not go back to Harrisburg until the order came from the right authority to send me back, and then he stated that he had resigned as manager.

Mr. GRAHAM. Manager of what?

Mr. GRAY. Manager of the Marlin-Rockwell loading plant, and was going to leave that day for Washington to assume his duties as a captain in the Ordnance, and I found his successor, Mr. Morrow, had succeeded him as engineer and manager for the Marlin-Rockwell Loading Co.

Mr. GRAHAM. Well, did he make any more statements after the one you have stated about you leaving there, or anything—

Mr. GRAY (interposing). Well, he was very insistent that I should not take charge: that the Construction Division had no authority there.

Mr. GRAHAM. Did he make any threats, or anything that you considered as threats?

Mr. GRAY. No; I would not say that he made any threats. He only wanted to advise me and, as he said, save me the humiliation of being ordered back to Harrisburg. I did not see it that way.

Mr. GRAHAM. You stayed there?

Mr. GRAY. I stayed there.

Mr. GRAHAM. Did he leave there soon afterwards?

Mr. GRAY. He left that day, and I have never seen him afterwards.

Mr. GRAHAM. Up to that time had he had charge?

Mr. GRAY. He had charge of the Marlin-Rockwell plant.

Mr. GRAHAM. You mean of the loading plant?

Mr. GRAY. Of the loading plant. Of course, there was no plant there, but he had charge of the operations. He was the manager.

Mr. GRAHAM. Now, when you went down there did you take any men with you?

Mr. GRAY. I took with me a complete organization of engineers and inspectors; the bookkeeping and auditing department; I took them and three military officers: Capt. H. A. Douglass, who had command of the police and fire protection and the sanitary division of the camp; Capt. L. A. Moore, who is what is known as executive officer for me—he had charge of the property on the work—he was the property officer; and Capt. (or lieutenant at that time) Elwood Avery; he was afterwards promoted to be captain.

Mr. GRAHAM. How many men altogether did you take out there with you?

Mr. GRAY. Did I take with me?

Mr. GRAHAM. Yes; about how many?

Mr. GRAY. They are listed in here [referring to a letter file]; I think I took approximately 200 Government employees, including the police force.

Mr. GRAHAM. Were there some members of the police and fire departments?

Mr. GRAY. In that? Yes; I took the fire department and police department there and dismissed the police force that I found there.

Mr. GRAHAM. Was that under orders?

Mr. GRAY. Under orders from Washington, you mean?

Mr. GRAHAM. Yes.

Mr. GRAY. No, sir; the police were Government employees at the Middletown ordnance depot, and as that was turned over to the Ordnance Department and was being policed by soldiers these men were free, and it was one of our instructions that we could permit the contractor to police the job with his employees or we could employ our own police, and I thought it was better to have the physical force on the job than to let somebody else have them, so I interpreted my orders to give me the police force.

Mr. GRAHAM. Well, when you got down there did you meet with any opposition aside from what you have already spoken of about discharging the force there and employing your own?

Mr. GRAY. Yes; I had opposition, and no cooperation whatever from the Marlin-Rockwell Co. or the F. T. Ley Co. when I went there, for the first 30 days.

Mr. GRAHAM. Did they resist your taking possession and your force on?

Mr. GRAY. They did not resist it in a physical way, but they discussed it with me and protested against it, and said that it was their function as Government agents to employ all the employees on the work; it was their function to audit the accounts, their function to pay off the men and fix the rate of pay and furnish the guards and do everything there was to do, and my duties were simply to be there as disbursing officer, and that they did not think—they wanted to protest against my assuming the authority that I did. I had instructions from the Construction Division to take full charge of that work. I was responsible in the written instructions to constructing quartermasters to be the authority on that work. I was disbursing officer, but I was combined disbursing officer and constructing officer, so I exercised both functions on that work. The police force that we found there was a disorganized un-uniformed, undisciplined force. You could not distinguish a policeman from any other employee on the work, and they got drunk and they held up the men and robbed them; held up the workmen at night after they would draw their pay before I got my force there. It was several weeks before I got my force in there so that I could turn over the ordnance depot to the military police. I brought the police force there on Sunday afternoon without any notice and took it over. And then we gave these other men a physical examination, and those that could qualify or had some standing in the community or had somebody to vouch for them were reemployed, a few, and the others were paid off, and some of them went to work on the works, and most of them left. There were several gunmen from New York City in the force.

We had an ex-inspector of the New York police force there in plain clothes, and he identified these men and we turned over—we arrested some and sent them over to New York, and some went to Philadelphia and were tried for their crimes; some were tried in Delaware, but we got them off of our force. The police that we had had either been honorably discharged from the United States Army or from the State Constabulary of Pennsylvania, were known, brought letters of character with them and stood a physical examination. Capt. Douglass had been a noncommissioned officer in the United States Army in the Philippines and occupied a State position in Pennsylvania when he was commissioned, and some of those men he had personal knowledge of them, and he was a disciplinarian, and had a very efficient force. We divided the force between policemen and firemen.

Mr. GRAHAM. I will ask to be excused a few moments; Mr. Jefferies, will you proceed with the examination?

Mr. JEFFERIS. Go on with this police force.

Mr. GRAY. Well, that is about all that I can say.

Mr. JEFFERIS. When did you take that police force in for the Government?

Mr. GRAY. I took my police force in there, I think, in the latter part of September. I went in there early in September and took them in there in the latter part of September.

Mr. JEFFERIS. And you say the police force that were on there prior to your men coming there, some of them were gunmen?

Mr. GRAY. Some of them were gunmen; yes, sir. There was no discipline there, and you couldn't find them; and there were holdups at

night that were pulled off by policemen; and there were not sufficient of them to police this big area, and without a police force that I controlled I would have had to have left there; without the Government furnished us with Government aid we could not have remained there. The feeling was so strong against the Construction Division force going there to take on that work that we would have been forced to get off the job.

Mr. JEFFERIS. About how many men had they on the police force before you took these in?

Mr. GRAY. I don't think they had over 50 men; they may have had; I could not answer that.

Mr. JEFFERIS. Who was at the head of it?

Mr. GRAY. A man named McGowan.

Mr. JEFFERIS. McGowan.

Mr. GRAY. Yes, sir.

Mr. JEFFERIS. Do you know where he was from?

Mr. GRAY. He had formerly been a policeman in Washington—in this city. I think he was a very competent police officer but the material that he had gathered up was not good material.

Mr. JEFFERIS. Who was paying this police force before you got there?

Mr. GRAY. Well, the United States Government was paying them.

Mr. JEFFERIS. I know, but who paid them in the first instance?

Mr. GRAY. The Government paid them in the first instance. There was no—there were two methods of paying off there. I had better explain that to you. One was what is known as the Ordnance method, we call it; and the other method was what we adopted under the advice of the Legal Department of the Construction Division. Now, the Ordnance method was for the Marlin-Rockwell Loading Co. to make out their checks, their own checks against their own bank for a payroll or invoice for materials received; and then they turned that check over to the Ordnance disbursing officer all signed and ready to mail, or ready to use and he footed up the number of checks or the amount of money and made out a check, a blanket check covering all those invoices; the Marlin-Rockwell Loading Co. deposited his check—

Mr. JEFFERIS (interposing). That is, a Government check?

Mr. GRAY. Yes; you see, he took his check and deposited it, making their checks good, and he took their checks and disbursed them. In each check he made them include their commission of 10 per cent; if this bill was \$5,000, he gave them a check for \$5,000 plus the 10 per cent commission at that time. Now, we did differently.

Mr. JEFFERIS. That was before you took charge?

Mr. GRAY. That was before I took charge. I paid direct to the vendor or the person rendering the services, and I paid the pay rolls direct and draw my check as disbursing officer for the pay roll to the order of field clerks, and sometimes I drew it to my own order, or always, and then indorsed it to them, and they went to the United States Treasury in Philadelphia and drew the pay rolls, and it came out on the work under guard and paid the men direct; and we settled our commissions once a month with the Marlin-Rockwell Co.

Mr. JEFFERIS. How long were you there?

Mr. GRAY. I was there from September till May—from 1916, to the latter part of May, 1919.

Mr. JEFFERIS. Who had selected this police force of whom McGowan was at the head?

Mr. GRAY. Why, I think they were selected by the Marlin-Rockwell Co. or the F. T. Ley Co., their subcontractors. I haven't any idea who selected them.

Mr. JEFFERIS. Then, the police force that was there when you took charge was paid in the way you have mentioned before?

Mr. GRAY. Yes, sir.

Mr. JEFFERIS. In other words, the checks would be issued to them?

Mr. GRAY. No; they were paid in cash, but the pay roll was footed up and the Marlin-Rockwell check was made out to cover that pay roll, and then the disbursing officer held that check until he paid his check out for that pay roll plus the commission, and then the Marlin-Rockwell Co. deposited his check and then drew their own against it, but he turned that over to them.

Mr. JEFFERIS. That saved the Marlin-Rockwell Co. having any money themselves?

Mr. GRAY. They never had any money; they never used any money on that work. The F. T. Ley Co. after we came there carried a small account in one of the local banks to pay their discharged labor, to pay express bills and small accounts, and then we reimbursed them on presentation of their receipts, we reimbursed them. They were the only contractors that put up any money.

Mr. JEFFERIS. What did you find there besides this police force when you took charge, Major.

Mr. GRAY. There was an organization there to do the contract work for F. T. Ley. You see, there was two organizations there. The Marlin-Rockwell Co. employed F. T. Ley Co. as contractors to do the engineering and the designing of the plans and the purchasing of the material, the delivery of materials, and the construction of all the work. They were both engineers and contractors for that operation. And their organization was there, laboring men, and carpenters, and other mechanics and foremen and superintendents and time-keepers and bookkeepers and material checkers were all on the work there receiving material and putting up temporary buildings and they were building a railroad from Mount Pleasant, Del., on the Pennsylvania Railroad, to the camp, about 8½ miles, that had been under way six weeks when we got there.

Mr. JEFFERIS. What kind of an organization, in your opinion, was this; competent or incompetent?

Mr. GRAY. Well, the management and superintendents and foremen they were, generally speaking, incompetent to produce mechanical work. They had studied the keeping of costs up; making the things cost; they had that down to a science.

Mr. JEFFERIS. Give us some illustrations, Major.

Mr. GRAY. I can give you these illustrations, but I think you should understand about this organization as it was—just what it consisted of.

Mr. JEFFERIS. Well, go ahead.

Mr. GRAY. The engineering force was—that is the designing force was located in Wilmington, Del., they had three large offices in Wilmington, which they maintained and had this force working on the designs for the permanent buildings as well as the temporary buildings. And when we took charge of it and moved our engineering

force down there, the Government engineers, we began, of course, to see what their plans were and what it was going to cost.

Now, then, to go back to your question: On the work were the men to carry out those plans, those designs. Now, the plans and designs for the utilities, for the railroad and the water supply and the offices, the administration buildings, and the cafeteria were of the most elaborate and permanent character. The first thing that the construction division did, and our engineers that were there, was to take hold of those designs that they had not started to erect and cut them down. Then we found it was necessary to bring inspectors to inspect the work that they were doing to see that it was done right and in order to get some semblance of economy in the work. Well, it was emergency work and speed was necessary, yet it was also necessary to insist on good management. And in handling the force of laborers and mechanics in the usual way that it handled on contract work. We had to take into consideration that it was war time and that labor was scarce and that laboring men were moving from one job to another. One of the instances of extravagance was that they were drilling wells all over the property; they were hunting on that property for water and they were drilling wells nigh to 130 feet. And they kept no record of the wells so that when the well was down 80 feet or 90 feet one of the bosses said, "We haven't got any water; try it again." And he had a record of 34 wells that we could locate. I do not know how many more were drilled, and there was only one well that we had any log on to know what was done. We stopped the well drilling because there was no question that there was not sufficient water to furnish 500,000 gallons of water a day on that property. One water expert from Washington came up there and met Capt. Avery, who had charge of the water systems and the sewer systems, and they calculated that if they had put down sufficient wells to supply that plant with water there would be no land left; it would all be occupied by wells. They insisted that should be their system. They had steam shovels working on the railroad and hauling with motor trucks. There were more motor trucks than the shovel could keep supplied. The motor trucks were 3-ton trucks and they were paying \$30 a day for 3-ton trucks, they could have hired 5-ton trucks for the same price. They put on 3-ton trucks and put on more than the shovels could take care of.

And they were laying the railway tracks with large gangs of men and not sufficient tools to go around.

Mr. JEFFERIS. That gave them a chance to rest, I suppose, some of them?

Mr. GRAY. That gave them a chance. They had to line up, more carrying a tie or rail than if there had been tools enough to go around to do something else. The ties were spaced 12-inch centers when on that kind of a track they should be spaced at least 2-foot centers. The finest lot of ties I have seen in years in this country. I did not know there was that many good ties in existence any more. They cost \$1.25 or \$1.50 apiece.

Mr. JEFFERIS. They expected heavy traffic?

Mr. GRAY. They had some 67 and some 80 pound rails; for ordinary traffic, not a main line. When I complained about it F. T. Ley's engineer said that he built that according to the Pennsylvania

Railroad specifications for a first-class railroad; he thought nothing was too good for the Government.

Mr. JEFFERIS. What was his name?

Mr. GRAY. I would have to look in there [indicating file of letters] for his name. H. A. Annabelle.

Mr. JEFFERIS. What kind of a railroad was this?

Mr. GRAY. A single-track standard-gauge railroad.

Mr. JEFFERIS. Was it a direct line or circuitous?

Mr. GRAY. It was circuitous. When I inquired into the curvature of the route that they had designed they said that they had followed that route in order to follow the cheaper properties; that if they had gone in a direct route they would have crossed more valuable land, and while they would have shortened the railroad they would have added to the cost of the land.

Mr. JEFFERIS. Do you know about how much this railroad cost, or was costing there per mile?

Mr. GRAY. That railroad cost \$50,000 a mile, about. I have got the cost of it here; it cost eventually, the track and right of way cost \$395,305.76. The fencing; that was fenced in afterwards, and that was \$15,938.57; but that was not all on the railroad; about \$10,000 of that should be charged to the railroad. I can not tell exactly, but make that roughly \$10,000 for the fence along the railroad right of way, because it is not separated here, but that is my recollection on the proportion.

Mr. JEFFERIS. About what do you think would have been a proper cost for that railroad, eight and a half miles, under war conditions if it had been built properly?

Mr. GRAY. About \$100,000 could have been saved on that railroad.

Mr. JEFFERIS. Even in war times?

Mr. GRAY. Even in war times.

Mr. JEFFERIS. And you would have a road that would be good for all purposes that would be needed there?

Mr. GRAY. Yes, sir; one of the extravagances and their bad management was their trucking. The trucks were employed when it was necessary at the beginning of that work to bring the materials in from Mt. Pleasant, which was the nearest railroad siding, or St. George's which was the nearest dock where material could be brought in on canal boats or barges. It was necessary to truck from those points. In many instances it was necessary to truck from Wilmington and from Philadelphia, where it was necessary to have some material promptly, but they were trucking all from Philadelphia, and from Baltimore, and from Wilmington, and they ran a truck all the way up into Hartford, Conn., for about \$25 worth of repairs, and it took about four days to make the round trip for that. And I had to stop them with the police to keep them from going to Rochester, N. Y., with a truck after I had issued the orders to deliver that by freight; and not to do it, that we would have the material come by freight, and they were starting a truck any way. They did not like the discipline or restrictions.

Mr. JEFFERIS. Who did you see to stop it?

Mr. GRAY. I had to see the manager.

Mr. JEFFERIS. Of the Ley Co.?

Mr. GRAY. Of the Ley Co. and the manager of the Marlin-Rockwell Co., and about the time it was transmitted down through all

their men to the trucking man he was on the road, and we had to bring him back. I had to have Capt. Douglass at the gate where they would have to go through the gate to hold up each truck, they could not get out without orders, and I told him to head him off. And I had to meet that kind of opposition in every step we took there until we got almost up until the time of the armistice was signed. They had sand enough on the job to deliver there in carloads, to do all the work that was to be done for 30 days, and I found 10 trucks hauling sand from Wilmington, bringing in sand.

Mr. JEFFERIS. Those trucks were getting how much a day?

Mr. GRAY. Three dollars an hour. It cost about \$56 to run a truck to Philadelphia and back, and sometimes more.

Mr. JEFFERIS. Did they bring back a load when they went?

Mr. GRAY. No; sometimes they went up and did not come back with anything. They did not anticipate their wants. They made out an order for a door or a window or window sash, or three or four boards, and if I did not stop them they would send a truck for that to the builder in Philadelphia. They bought at retail and they sent up to Philadelphia to get their stuff, and if I stopped the driver and asked, "Where did you get that from?" He would say, "From Philadelphia." "Where is the rest of your load?" He said, "That is all I was told to get."

Mr. JEFFERIS. You say it would cost \$56 for a truck?

Mr. GRAY. Yes; because they never made the trip in less than 26 to 28 hours.

Mr. JEFFERIS. Where did they go?

Mr. GRAY. They would leave early in the night or in the morning and get back that night again.

Mr. JEFFERIS. Did they get and overtime?

Mr. GRAY. They got no overtime for their truck, but the driver got overtime; but we paid for the truck \$3 an hour, and paid every expense they incurred. Where we hired an automobile or a truck we hired them for \$6 to \$8 a day, for an automobile, and then we paid the driver and paid the gas and oil and the repairs.

Mr. JEFFERIS. Who do you mean by "we"?

Mr. GRAY. The Government.

Mr. JEFFERIS. That is, when you were there?

Mr. GRAY. Yes; when I have hired them.

Mr. JEFFERIS. I am talking about them?

Mr. GRAY. The trucker probably paid his driver overtime. We paid \$3 an hour and paid no overtime; we had nothing to do with that.

Mr. JEFFERIS. You say they went to Massachusetts with a truck?

Mr. GRAY. They went to Hartford, Conn., for a repair part for a steam shovel; but I headed them off from many another trip, many other long trips, of that kind.

Mr. JEFFERIS. What were they going to Rochester for?

Mr. GRAY. For some electrical equipment or supply. They were going to Schenectady for some more electrical equipment that we got by freight and it came in ample time. And the other materials came by freight after they had been disappointed in not letting them go with trucks; we got it down in three days by freight. They protested to me; they said I was interfering with the large methods

of doing emergency work; that if I wanted that work rushed and wanted it done that I must not interfere with their methods of going out for material and bringing it in; that they could not be held up. I finally got them to anticipate their wants and order in carloads and bringing stuff in by freight. Nothing was ever held up by using good judgment and knowing what they wanted before they actually needed it.

Mr. JEFFERIS. What had they actually got constructed there before you got there, outside of the wells?

Mr. GRAY. There was six or eight bunk houses.

Mr. JEFFERIS. How big?

Mr. GRAY. About 20 by 50 and about 20 by 100.

Mr. JEFFERIS. Is that all?

Mr. GRAY. That is all; there was a temporary commissary cafeteria for feeding the men.

Mr. JEFFERIS. Do you know how much they expended by that time?

Mr. GRAY. Well, I never knew exactly what had been spent by the Ordnance before we came there.

Mr. JEFFERIS. Was there any material on the ground?

Mr. GRAY. There was some little material on the ground. The railroad track had been partly graded, about 24,000 feet, and about a mile of track had been laid, and some sidings, but they had no tracks and switches connecting their sidetrack, and they were using a locomotive crane to do shifting, and they had to take the locomotive crane down and unload the materials on the ground and then haul them over there.

Mr. JEFFERIS. Unload them and then haul them?

Mr. GRAY. Yes; and they had an engine that belonged to F. T. Ley that was there on rental and broken down; they could not use it; I would not pay them rent on that machine. And they said they could not get a locomotive; it was impossible to get one; they had tried everywhere and they could get one in Massachusetts, they thought, so we sent a man that was in the employ of the Government and who had been turned over to them, we sent him to look at the locomotive, and he telegraphed back that it would have to have about \$2,500 of repairs before we could use it and recommended against buying it. And the first day I was there and found they were without a locomotive I telegraphed to Elisha Lee, of Philadelphia, for a locomotive and the answer was a locomotive; the next morning I got a locomotive; but they said they had applied to the Pennsylvania Railroad and could not get it; I got it the next morning. And the frogs and switches I telegraphed to the Middletown Ordnance Department, where there was a surplus; I telegraphed for them and got them the next day. That was a long-distance trucking, a hundred miles, that I thought was justified. I would never interfere with a long-distance trucking if it was justified, and there was one place where it was justified. They had sidetracks where you could not use. I let them send to Baltimore for material where it was really required. But there was a way to anticipate those needs and cut that out as far as you could.

Mr. JEFFERIS. Did they get any water from any other source?

Mr. GRAY. It was not necessary; we stopped before it was necessary. They would have been compelled to take water from St. Georges Creek. There was a well-defined plan made up by Capt. Avery for water from St. Georges Creek, and the Marlin-Rockwell Co. wanted to supplement that with a duplicate system and pumping it from the Delaware River, but I was opposed to that because all the water that we required they could get from St. Georges Creek for all purposes, both drinking and domestic and mechanical, and their duplicate system which they advocated for fire protection was not necessary. They had all the fire protection that they could get from one system and if there had been fire in any of those loading units nobody would have stayed there to turn any water on. There is no use of a fire fighting plant where you have nitrate sodium burning.

Mr. JEFFERIS. Had they done anything for a dock or loading place?

Mr. GRAY. They had a dock built on the Delaware side, and had some men building a tidal gate, and a sluice gate through the dike and they had started to build a wharf and pier; and the wharf paralleled the river and the pier went out into the river about 600 feet, where they got a depth of 60 feet of water.

Mr. JEFFERIS. Had they got anything done?

Mr. GRAY. They had 40 per cent of the wharf built, and nothing on the pier. They had 75 per cent of the dike completed when the work was abandoned, and they had one sluice gate finished.

Mr. JEFFERIS. What was the reason for the dike?

Mr. GRAY. There had been a dike around that property; it had been constructed by the local authorities; I supposed it had been there for 50 years or a 100 years or more, to protect the low grounds of the farm land. And in the spring of 1918 there had been a very high tide and a severe windstorm at the same time, so it breached the dike, and the water was at high tide over a part of the land.

Mr. JEFFERIS. What was the length of that dike?

Mr. GRAY. That dike was something over a mile long.

Mr. JEFFERIS. How high was it?

Mr. GRAY. It was about 14 feet high, and it would have been necessary to have ripped it. They ran the dike on the bank of the Delaware River, and then turned and went up St. Georges Creek, which emptied into the river on the northern side of the property. However, before they got to St. Georges Creek they cut across the corner of the land and came up the creek to the public road's embankment, and that made it necessary to build another gate there. If they had gone to the mouth of St. Georges Creek and turned and repaired the dike along the creek it would have been unnecessary to build another sluice gate. The sluice gate cost \$15,000, and it was estimated this one would cost \$12,000. And this was on the property, too, and they steered off and without saving less acreage and having the expense of building a new sluice gate at one and the same time. I was there, I guess, a month before I discovered and learned that there was another gate there, and in the meantime the dike had come on to be pretty near completed. It would have been better to have utilized the other.

Mr. JEFFERIS. How much do you think they made there of unnecessary expenditures?

Mr. GRAY. Well, I don't think that was a very material difference, as long as we did not go on. If we had gone on and spent \$12,000 for the new gate I think we would probably have wasted there \$20,000.

Mr. JEFFERIS. Besides the labor?

Mr. GRAY. Not besides the labor; everything.

Mr. JEFFERIS. How were the men paid there?

Mr. GRAY. You mean—they were paid——

Mr. JEFFERIS (Interposing). By the Ley Co.; were they paid double time or overtime?

Mr. GRAY. They were working on an 8-hour day; they worked 10 hours and were paid for 11; if they worked after that, why, they were paid an hour and a half overtime on the week days and double time Saturday afternoons and Sundays.

Mr. JEFFERIS. Did they work on Sundays?

Mr. GRAY. We worked on Sunday until the armistice was signed and then we stopped Sunday work. It was necessary to work Sunday, not only for the speed, but also to hold the laborers. The men would not work on a job that would not give them Saturday afternoon and Sunday work.

Mr. JEFFERIS. What did they do, lay off week days?

Mr. GRAY. Well, a few laid off to go to town to attend to some other business, but the majority worked all week and got in their Sunday work, too. When they took a rest they took it during the week.

Mr. JEFFERIS. When you took charge didn't you have to O. K. or pass on the different bills of material that came in?

Mr. GRAY. I passed on the orders that were issued. I had all their agreements for lumber and material needed in the temporary buildings—that is, all we ever built, what is known as temporary buildings that were not included in the manufacturing units.

Mr. JEFFERIS. None of that was ever built?

Mr. GRAY. None of that was ever built. I had their bills of lumber and bills of other materials checked by my engineers. Of course I could not do those things personally, and then they came to me in the form of an order and I approved that order.

Mr. JEFFERIS. In what way?

Mr. GRAY. I wrote my name on it as approval.

Mr. JEFFERIS. Some one told us, or I heard the other day, that some one got up a facsimile of your signature up there?

Mr. GRAY. No.

Mr. JEFFERIS. A rubber stamp?

Mr. GRAY. They got a rubber stamp, but it was not a facsimile.

Mr. JEFFERIS. Tell us about that.

Mr. GRAY. The field auditor of the Marlin-Rockwell Loading Co., a man named Otto Carl Schwegler, he audited the accounts for the Marlin-Rockwell Co., and those orders which I signed passed through their office.

Mr. JEFFERIS. Went to him after you signed them?

Mr. GRAY. Went to him after I signed them. There was some signed—they would come in a bunch like that [indicating a block of paper], and there was an order for field auditor's file and a copy

for the Marlin-Rockwell Co., and one for the F. T. Ley Co.; I only signed certain ones; I signed the ones considered important to be signed, and the others I did not sign, but when they came to his office he wanted to have the signature on there, and he had a stamp printed and made of my name, and stamped it on there. That is what they told me was the reason for it. I made him give me that stamp and they refused to turn it over, and said they had lost it, and they came to me for a check for \$40,000, and I said, "You produce that stamp or you don't get the check." So they produced the stamp. It was the only way I had of getting the stamp, and the reason I was so insistent about that stamp was that before I went there they had issued orders and bought materials promiscuously; nobody knew how many orders; there was a stack that high [indicating] unsigned by Government officials. Lieut. Gerber was there without assistance and they swamped him with orders; he did not know what they were for and whether it was necessary or not, and when I came they began that on me. They had orders issued for thousands of dollars' worth of materials that had never been authorized. The excuse was that they could not wait; they had to have this material and could not wait for anybody to sign these orders; it was necessary to get material. Well, that was a good excuse, but I stopped it. It took me some time to stop it, because there was some little excuse, and there were orders that Lieut. Gerber refused to sign because he had no reasonable evidence that the materials had ever been delivered. There were orders that I had refused to sign for the same reason. I had no evidence that they were ever delivered; no Government checker ever passed on them. And when I refused those orders they would come back to me in another form, repaid and revamped, and I had to have three men besides myself to see I was not passing something I had already refused; and Schwegler used his stamp and stamped those things to get by.

Mr. JEFFERIS. Did you use his stamp and stamp on some of those things that you had refused to sign?

Mr. GRAY. Yes; that I refused to sign. So I took the stamp in and made them not only bring the stamp in, but understand that if that was continued there would be no money paid out.

Mr. JEFFERIS. This fellow Schwegler was in the employ of the Marlin-Rockwell Co.?

Mr. GRAY. Yes, sir.

Mr. JEFFERIS. Did you see a man up there by the name of Toby?

Mr. GRAY. I met Mr. Toby quite often.

Mr. JEFFERIS. He was in the employ of the Marlin-Rockwell Co.?

Mr. GRAY. He was vice president.

Mr. JEFFERIS. Where was he; where did he stay?

Mr. GRAY. In Wilmington.

Mr. JEFFERIS. What was he doing?

Mr. GRAY. He never had any connection with the work; he never did anything in connection with the work; he was an executive officer.

Mr. JEFFERIS. Holding down a chair?

Mr. GRAY. He was in the Wilmington office. After we established our work I stayed on the job; I never went to Wilmington. I lived in the camp.

Mr. JEFFERIS. Did you see a fellow up there named Allen?

Mr. GRAY. I think Allen was the assistant treasurer.

Mr. JEFFERIS. What was he doing?

Mr. GRAY. Allen looked after the collection of the commission, seeing that their accounts were kept up to date. He was in that department of their business.

Mr. JEFFERIS. Well, what else could you tell us about that outfit up there?

Mr. GRAY. Well, in speaking of the police and firemen, when I dismissed their force they immediately filed a letter claiming a fee on Government employees on the police and fire guards primarily on all the engineers and auditors and employees of the Government. They filed a very formal letter. Mr. Toby was a lawyer and drew the letter in proper legal phraseology, and it took me some time to frame an answer to it. Being a layman I was afraid of them.

Mr. JEFFERIS. Just what was the claim?

Mr. GRAY. He claimed a fee, and under the terms of the contract—if you had a contract here—

Mr. JEFFERIS (interposing). Ten per cent.

Mr. GRAY. Yes; on all employees, and he particularly specified the guards. I don't know whether you want it in the record or not, but I think a strict interpretation of the contract would have allowed them to have collected it. I think the Ordnance evidently are going to pay them that fee, but I refused it. I took the ground that the Government had never paid a fee on the salary of men, and I would not do it.

Mr. JEFFERIS. In other words, he wanted a fee on the men that you took there?

Mr. GRAY. Yes, sir; it was necessary for us to have auditors to check the accounts; to keep the accounts, so that I would know I was disbursing properly.

Mr. JEFFERIS. Now, the men that you took there—

Mr. GRAY (interposing). Some are Civil Service employees; some sent up by the departments of the Government, and some applied for work and were taken on.

Mr. JEFFERIS. And they were there under your direct supervision?

Mr. GRAY. They were there under my direct supervision.

Mr. JEFFERIS. And they were there to see that this Ley Co. and the Marlin-Rockwell Loading Co. did not put anything over on the Government?

Mr. GRAY. Yes; they were there to see that we did not pay for anything that was not delivered.

Mr. JEFFERIS. And yet the Marlin-Rockwell Co. wanted 10 per cent on that pay roll?

Mr. GRAY. Yes, sir; they claimed I had been taking that out of their hands and they were entitled to that; they made that claim. I simply answered and said that the Government had never paid fees on the earnings of its employees; and they continued that claim. I do not know whether they have been paid or not, but it is one of their prime claims that they have now against the Ordnance Department. I understood from one of the Ordnance Department employees that they were going to pay it; that they thought it was just and they were going to pay it. I do not know that they have.

They had other claims for materials which had left the vendor; left Philadelphia or other places that have been delivered so far as the Government's records would show on the work. I refused to pay them. They are a part of the claims they have now against the Ordnance. I could not pay for any materials which were not delivered, or for any services which had not been rendered; I could not pay for them. I had to have the O. K. of the Government inspection that materials were received on the job.

Mr. JEFFERIS. Do you know how much of a claim they were claiming for materials which they claimed had been ordered, but the Government never ascertained had been delivered there?

Mr. GRAY. I do not know; there are 22 claims; just what they aggregate I do not recall. I wrote a letter on each one; it runs into several thousand dollars. The fees on the Government employees alone was \$25,000 or \$30,000.

Mr. JEFFERIS. What is the fact, Major, as to whether there was any materials around there that was really not necessary for anything so far as you could ascertain?

Mr. GRAY. No; I think if the plant had been erected all the building materials which had been delivered there would have been used.

Mr. JEFFERIS. Is there any considerable quantity of it there?

Mr. GRAY. There was about—something between \$4,000 and \$5,000 of materials on hand when we stopped. There was some 500 carloads of material on the way when the project was abandoned. That all came in and was unloaded.

Mr. JEFFERIS. What kind of material did they order and get there?

Mr. GRAY. Both lumber and tile and brick, and reinforcing steel. There was a large quantity of reinforcing steel and terra cotta for sewer system, and pipe for water system.

Mr. JEFFERIS. Was there any sewer system laid?

Mr. GRAY. There was a temporary sewer system laid in the camps, but the sewer system—there was some terra cotta piping there to make a complete system. That was on hand when we stopped and there was about—possibly one million brick on hand.

Mr. JEFFERIS. How much work was really done there, Major, after you took charge?

Mr. GRAY. Well, there was about \$2,000,000 worth of work done after I took charge until the time—I had \$2,500,000, and I turned back between \$450,000 and \$500,000 to the Ordnance, so I spent about \$2,000,000 up to May 1. Of that was \$500,000 on building materials unused on hand. The balance was—you see we got \$400,000 in the railroad, and I believe \$1,500,000 in buildings and other improvements. The dike, I think, cost about \$100,000 and the wharf \$40,000. The cafeteria cost over \$100,000 and was not quite completed. They had designs for a cafeteria for an equipment that would cost \$190,000 to seat 3,000 people. When we stopped we had \$140,000 in it, including the equipment. The Ordnance Department bought the equipment. I would not buy that. The Ordnance bought that. Any permanent equipment was bought by the Ordnance. Building materials were bought by the construction division, and they designed two administration buildings, and executive office and administrative office.

Mr. JEFFERIS. What would they have cost?

Mr. GRAY. They would have cost \$36,000 apiece, and I cut out one entirely and cut the other down and built it for—I think twenty-odd thousand dollars, and that took care of the office force of the Government and F. T. Ley and the Marlin-Rockwell Co.

Mr. JEFFERIS. What else did they contemplate building there?

Mr. GRAY. They did contemplate building a big garage.

Mr. JEFFERIS. A what?

Mr. GRAY. A very large garage was to be built there to put the trucks and the automobiles in; that was another \$35,000 building. And we put one up for \$14,000; and now they use it for a storehouse to store raw materials in. No, the temporary garage cost \$1,589 in place of \$95,000, 20 feet by 28 feet by 50 feet long, and we got away with it for \$1,589.

Mr. JEFFERIS. Was any objection made by any of them to a change of these plans?

Mr. GRAY. Oh, yes; objections were made to each one of them.

Mr. JEFFERIS. Who would object?

Mr. GRAY. Well, Mr. Toby, and Mr. Morrow and the engineers for F. T. Ley that made the plans.

Mr. JEFFERIS. What would they say about it?

Mr. GRAY. They would say they were not large enough, and they were unsuitable for a Government building of the importance that that plant was going to be, and that they were not proper buildings to put on a great loading plant site. I took the ground that the war would be over sometime and that we were only building for the war; we were not building a permanent plant there; we were building for the war, and that anything that would last two or three years, that type of building would last a contractor for a job, and that is the way I looked at it. There wasn't any reason why it should be built so elaborately. We cut down everything we found there that we could cut down.

Mr. JEFFERIS. Do you know, Major, how it was that they continued to build there or do so much work after the armistice?

Mr. GRAY. There were no buildings done after the armistice. The roof was put on the garage and the fencing was done along the railroad track on account of the farmers' cattle and horses getting on the track; and all the work ceased as soon as we had an order to stop. We were told not to stop until we had an order. Here is the administration building, and that was built, and then it was extended and it cost \$40,000, and then plus that with its proportion of the expenses that occurred after the armistice was signed with the overhead charges on the work, and it made the total of that building \$61,435; heating, plumbing, and electric lights, in place of two buildings either one of which would have cost more money.

Mr. JEFFERIS. How long had this Marlin-Rockwell Co. been there?

Mr. GRAY. They had been there about from early in March, 1918. They began work some time in July, a little bit. They did not do anything, as I understand, until July, and then they began some operations, building shanties, and they started the railroad in August, I believe, early in August, and had the commissary there. That, I should have said, was \$72,000 for the administration building.

Mr. JEFFERIS. Changed?

Mr. GRAY. Yes; changed.

Mr. JEFFERIS. You cut it down to one, and that cost \$60,000?

Mr. GRAY. Yes; I would like to correct that. I had some other building in my mind.

Mr. JEFFERIS. Was there a summer resort there somewhere?

Mr. GRAY. There was Augustine Beach; had been a summer resort. There was a hotel there.

Mr. JEFFERIS. Where did the Ley Co. and the Marlin-Rockwell men stay; at the Beach?

Mr. GRAY. One or two of the Marlin-Rockwell men stayed there, and a few of the Ley men got their meals there. But that was principally occupied by the men of the Government. The Marlin-Rockwell people had leased that building, had taken a lease on it, which was approved by the Ordnance Department in August, 1918.

Mr. JEFFERIS. Do you know what that lease cost?

Mr. GRAY. It cost \$5,000 from August until, I think, the 1st of January, and \$500 a month thereafter. I am not quite sure of that. I think \$5,000 and \$500 a month thereafter. That was signed and approved by the Ordnance Department, and we had no place for the Government employees. The Marlin-Rockwell employees mostly lived in Wilmington.

Mr. JEFFERIS. How did they get down there?

Mr. GRAY. They came down in automobiles.

Mr. JEFFERIS. Who paid for that?

Mr. GRAY. The United States Government.

Mr. JEFFERIS. Was that true up to the time you got there?

Mr. GRAY. That was true after I got there. Living conditions were very bad there. It was hard to find places for the people to live, especially the women. We had to employ women, and some of them lived at Middletown, Del. Some lived at Delaware City, and they could not secure board in the near-by farmhouses, so it was necessary for them to live wherever they could find lodging, and we had to bring them to and from their work; there was no other way to secure people down there. The men could not live on the work, and some married couples were there working, and the hotel at Augustine Beach was occupied by Government employees, both men and women. There was a number of married couples there, and the upper floor was given over to married couples and single women; one or two married couples were there and the single women. The men occupied the central floor, and we took the dance hall and changed it into sleeping quarters and had 40 or 50 men in there. And we took the bathhouses and changed them into living quarters, and let them sleep in there also. They paid for their meals, but did not pay for their quarters; nobody paid for their quarters. The men that lived at the camp—that is, that wanted to live there—lived there. The firemen and policemen lived in the camps. The laborers lived there and the mechanics, some of them, a few in the surrounding country. We had to concede a great many things to the people that worked there in order to keep them. It was twenty-odd miles from every place.

Mr. JEFFERIS. Do you know what it cost approximately per person to get them down from Washington?

Mr. GRAY. No.

Mr. JEFFERIS. I believe I will let somebody else ask him questions.

Mr. GARRETT. Major, you were there when Maj. Foster visited there, were you?

Mr. GRAY. Yes, sir.

Mr. GARRETT. Of course, those conditions as you have related them to the committee were, I suppose, placed before him?

Mr. GRAY. No.

Mr. GARRETT. Didn't he confer with you?

Mr. GRAY. He did not confer with me, but—oh, possibly less than a half hour, 15 or 30 minutes—but he did confer with the Marlin-Rockwell management and the management of the F. T. Ley Co., and the vice president was there, Mr. Sickman, a man that died of the influenza in the winter of 1918. He did not confer with me.

Mr. GARRETT. He did not go into these matters with you?

Mr. GRAY. No; he did not go into these matters at all.

Mr. GARRETT. Is that railroad that is there now of use at all?

Mr. GRAY. Well, it is of use in salvaging that plant; if that plant was sold as a manufacturing plant it would make it of use then.

Mr. GARRETT. Is there anything there to make any manufacturing?

Mr. GRAY. I think there would have been if they had completed the dock and the wharf. Any manufacturer that would take that plant would be compelled to complete the dike as a means of developing the property and in order to avail himself of the tidewater facilities he would have to build a pier.

Mr. GARRETT. Well, there are not buildings there that would be worth very much to a manufacturer?

Mr. GRAY. No; the only thing that would be worth anything now would be the buildings there to house his construction forces while he was building his plant.

Mr. GARRETT. Those are very inferior buildings?

Mr. GRAY. They are good of the kind; substantially put up.

Mr. GARRETT. Of course, the administration building—

Mr. GRAY (interposing). The administration building and the cafeteria and the warehouse and the cement house would be good for any plant; they would stand up with ordinary care for 15 or 20 years.

Mr. GARRETT. They are all wooden buildings, are they?

Mr. GRAY. All wooden buildings. But there is no village there. There was a statement in the papers that there was a village to house 4,000 people; there was no village built there.

Mr. GARRETT. There was no testimony before the committee like that, I think.

Mr. GRAY. I thought I would correct that if there was.

Mr. GARRETT. We understood that no village for the employees was there; that is, no buildings for the employees to be engaged in the operation of the plant was constructed?

Mr. GRAY. No; there was not.

Mr. GARRETT. All that was constructed in the way of residences was temporary, cheap buildings?

Mr. GRAY. Yes; and the preliminary business was finished; we were all ready to shoot and build the plants.

Mr. GARRETT. Well, now, one of the officials of that loading company that was before this committee, in discussing the question of

the long delay continuing the construction work, insisted that it was not the fault of that company, but it was due to the fact that they never furnished with definite specifications that were necessary. Can you give the committee any information about that?

Mr. GRAY. Well, they made the same statement to me—that they were not told the kind of explosive that was to be used. They made a great many plans. I think they made forty-odd plans and brought them down here; it was their duty to design a plant. And, of course, if they did not know what kind of ammunition that was to be used it might make considerable difference as to the design of the plant. But they made forty-odd plans and submitted the majority of them to the Ordnance Department here in Washington and recamped them, and it was not until the first week in November that their designs were accepted and approved by the Ordnance Department. There may be some excuse in that, but if they had been practical ammunition loaders they would have had some knowledge of the business and not have had 40 plans—before they would have drawn 40 plans they would have developed a general scheme of their buildings and machinery to load bombs. They hadn't anything when I went there. They had nothing to work on. They had no design for their power plant; that had not been designed; that was designed after we went there. The entire designing was being done by F. T. Ley; it was not being done by the Marlin-Rockwell Co.

When I found that condition—that the designer was also the builder of the buildings—I interfered and told the Marlin-Rockwell Co. that they must either supply other engineering talent or that they were to place what Ley was doing to take him over on their pay roll; that it would never do to have the designing and the building done by the same person; that it was unethical. They agreed with me and they transferred their men to the Marlin-Rockwell Co. under the direction of Mr. Morrow, and Mr. Morrow told me it was more satisfactory to him and they could have the designs made and that they would consult with him, which they did not do before the change was made. They were, up until the armistice—they were engaging quite a lot of draftsmen making plans for those buildings. I had nothing to do with those plans except to execute them after they were approved; then it would have been my duty to see that they were erected according to those plans.

Mr. GARRETT. It would have been your business to see the Ley Co.—

Mr. GRAY (interposing). Yes; to stake out the buildings and inspect them and carry out the work; to carry out the designs which were approved by the Ordnance Department.

Mr. GARRETT. Now, when you speak of 40 plants, do you mean 40 complete sets of plans?

Mr. GRAY. Yes; 40 different, complete sets; that is, alterations. The first plan—whenever they had the plans approved they had them submitted and had them criticized and had alterations made in them and had them taken back. This is their statement to me; they showed me the plan with a number of them. They had the changes, I believe.

Mr. GARRETT. Was it any part of your duty to report conditions there to the authorities?

Mr. GRAY. Yes; it was my duty to report to the Chief of the Construction Division. I reported through Maj. Wallace, who was what we called supervising constructing quartermaster. He had a number of plants under his supervision. His headquarters were in Washington. I made out daily reports of progress and a weekly report. And we made a personal report—wrote a letter occasionally showing the progress of the work. I wrote a letter within a few days after I was on the work. I wrote a letter stating the conditions I found there; what I had done. They had several reports from me at headquarters as to the conditions that arose. They never found any objection to what I did, excepting that I was relieved from duty in the first week in November and brought into Washington, and sent back again after I had been here a day. When I began to restrict them and try to get some economy into that work, reasonable economy, they never threatened me personally, but the general rumor on the work, and the Ley and Marlin-Rockwell employees told the Government employees and some of Capt. Douglas's police officers reported to me that Gray and his entire force would be replaced by the middle of October, and then it was the 1st of November, and while they did not dismiss anybody else they did me; they had me recalled from that work in the first week in November; on the 7th of November; I was here armistice day; and after a short interview with Maj. Wallace and Col. Trask, in which I said I would ask for an investigation or court-martial, that I had been threatened—now, if that organization was strong enough to have me relieved from duty there that that would be a reflection on my engineering ability and ability as a contractor and as an officer, and I was going to ask for an investigation; and about 20 minutes afterwards they changed their minds and sent me back; they would not have an investigation. Now, those people were strong enough to have me relieved from duty there, because I was interfering with their plans.

Mr. GARRETT. You had been completely relieved, had you?

Mr. GRAY. I was completely relieved. The copies of the orders are in here [indicating file of letters]; the order reinstating me is here—the letter from Maj. Wallace stating that there was no reflection on me.

Mr. GARRETT. Where did the orders come from?

Mr. GRAY. From The Adjutant General's Office; the orders had to come from there.

Mr. GARRETT. Yes; I understand that.

Mr. GRAY. On request of the department. There had been a conference here in Washington of the Marlin-Rockwell Co.'s men and a representative of the Ordnance Department in the Construction Division, and the Marlin-Rockwell Co. decided that they would relieve Mr. Morrow and place Mr. Kinnear in charge of the work, and in order to have harmony in the work that the Construction Division were to relieve me, and they carried out that agreement; they relieved me, but they put me back again. Mr. Kinnear came on and was there quite a while in charge of the work. And they relieved Mr. Morrow, but he stayed there until the first week in January, and then they sent him away, or he resigned. When I tried to put some economy in there why I run up against it, but I was satisfied to stand an investigation if they were. I felt just like anybody else would; I felt injured and that I had not been sustained.

Mr. GARRETT. Had there been any officers sent up there, do you know, besides Maj. Foster?

Mr. GRAY. On investigations?

Mr. GARRETT. Yes.

Mr. GRAY. Not that I know of. There were a number of officers visited the plant; there were officers there.

Mr. GARRETT. I mean for official purposes or for the purpose of investigation?

Mr. GRAY. Not to my knowledge; if they came, they came without seeing me or consulting me. Col. Trask and an English major, Wallis, and two officers from the Ordnance, I do not recall their names, came there after Maj. Foster had made his report. They spent the day looking the grounds over and asking questions and asked the Ley Co. and the Marlin-Rockwell Co. to get up some estimate of what it would finally cost, and what it would cost to try to take some other site; there was some discussion as to abandoning it after what had been done, abandoning that and starting a new one at some place else; and that is what they came up there to discuss.

Mr. GARRETT. By the way, what is your thought about that site?

Mr. GRAY. It was a good site for the purpose.

Mr. GARRETT. Do you think it was a good site?

Mr. GRAY. Yes; it had the isolation necessary for a plant that was going to handle high explosives, and it had water facilities and they built the railroad facilities to it. It is ground that was above the water from 14 to 30 feet and about 40 per cent marsh land.

Mr. GARRETT. Does the marsh land detract any from it for the purpose for which it was to be used?

Mr. GRAY. I don't think so; not when there was a dike; after there was a dike it was as good as any other land. It was level and required very little work to start operations of the kind that were going to be built, but it would have been necessary to cover with a foot or more of cinders to make it dry; after it rains the water remains on that ground awhile. The soil is about 6 inches to a foot thick and is sandy, and under that is clay and water after a heavy rain, the soil is churned up to mud in a few hours, so that would have been necessary. But I thought the site was as good as they could have chosen south of Wilmington; if that is where they wanted to get on the Delaware, it was a good place. The nearest village was an objection from the explosive point of view; there were a few houses at Port Penn, but it would be hard to locate where there was not a village of some kind.

Mr. GARRETT. How large was the hotel at the beach?

Mr. GRAY. I think twenty-odd rooms in all.

Mr. GARRETT. You mean twenty-odd guest rooms, exclusive of the dining room, and so on?

Mr. GRAY. Yes, sir.

Mr. GARRETT. What was the character of that?

Mr. GRAY. It was a brick building; it was built, I was told, about 150 years ago; of good construction.

Mr. GARRETT. Good condition?

Mr. GRAY. The exterior was in good condition; the interior had to be overhauled; it had no conveniences. The water was bad. We

had to bring in drinking water. We sent bottles to Middletown and brought it in. At first we got our water from Wilmington, and then we bought bottles and hauled it from Middletown, from the town pump; that was good water. It was about 12 miles away. And the water at the hotel was a dirty yellow all the time, and it was condemned by the health department, both the State health department, and we had men that tested it at the Army laboratory and they told us not to use it; that it had bacillus and all manner of impurities; but we pumped it through the buildings for lavatory purposes.

Mr. GARRETT. Was it much of a summer resort?

Mr. GRAY. No; it is more of an excursion resort in the summer months.

Mr. GARRETT. Was the hotel in operation at the time the Government went there?

Mr. GRAY. No; it was not in operation. They had their own steamboat and their own little dock; the Government took over the steamboat, I understand, and used it at Hog Island. They had no steamboat to bring their excursionists to the park so they were out of business when the Government took it over.

Mr. GARRETT. Wasn't that a pretty high rental price the Government paid for that?

Mr. GRAY. It seemed high considering the work they done; it seemed high.

Mr. GRAHAM. How much did you say that was?

Mr. GRAY. \$5,000 from the date of the lease, which I think was the 1st of August, 1918, to the 1st of January, 1919, and \$500 a month thereafter. I think the lease was terminated in, I think, March of 1919. We had the privilege of terminating it, I think the 1st of May or April and it was terminated.

Mr. GARRETT. Well, do you know when the plans were finally approved?

Mr. GRAY. Yes, sir.

Mr. GARRETT. I believe it was stated here that it was finally received on the 12th of November.

Mr. GRAY. I think somewhere about that. But it was a date ahead of that, the 5th or the 7th.

Mr. GARRETT. Somewhere along about that; I think they said they broke ground on the day the armistice was signed for the power plant.

Mr. GRAY. Yes; we broke ground for that, and we broke ground a few days before for one of the units of the loading plant.

Mr. GARRETT. As I understand you, Major, you can not give us any specific information as to the delays that may have been occasioned by changes in plans on the part of the Ordnance Department?

Mr. GRAY. I can not. I had no part in that.

Mr. GARRETT. It was stated here by some member——

Mr. GRAHAM (interposing). Mr. Toby.

Mr. GARRETT. Well, it was stated by him that the Ordnance Department changed the character of the stuff that was to be used in loading shells five times.

Mr. GRAY. I do not know how often they changed it.

Mr. GARRETT. And he read a lot of correspondence that passed.

Mr. GRAY. I don't know anything about that. It is hearsay with me; but they brought their troubles to me and told me they were

delayed. The construction division was ready as soon as they gave them to us. We anticipated by ordering standard material. We ordered cement, and we ordered the sand. We had our orders placed for flat and crushed stone and we had an order placed for the brick. We had nearly a million brick delivered. We had orders placed for tile. Anything that we could order which we knew would enter into the construction of those buildings we had it under order, and a good bit of it in hand.

Mr. GARRETT. Now, did you have anything to do with the hurrying up those orders, or with expediting them?

Mr. GRAY. Oh, yes.

Mr. GARRETT. You got in behind those fellows,

Mr. GRAY. Oh, yes; I got in behind the orders. The construction divisions orders were placed here in Washington; I knew when they were placed; I had a copy of the order and it was my business to follow it up. The contractor confirmed that order—that is, the Marlins-Rockwell Co. confirmed it—and it was a duty of mine to get after them and see that that material was speeded up and delivered promptly.

Mr. GARRETT. Well, now, had you anything to do with the cancellation or the efforts at cancellation, if any were made following the signing of the armistice?

Mr. GRAY. I did; after we were told to cancel. There was a delay; there was a hold-up in that for a few days. As soon as the decision was made to cancel orders, why then, on all local orders—the orders that I could reach, Philadelphia, Baltimore, Wilmington, New York, I took our lists of orders and seen some personally and sent a representative to see others and corresponded with them in an effort to bring about a cancellation.

Mr. GARRETT. Do you recall about when your work in that direction began?

Mr. GRAY. It began in the latter part of November.

Mr. GARRETT. Mr. Toby testified before the committee and read to the committee copies of letters that he sent out or caused to be sent out, some by his company, and some he read, by the Ley Co., asking them to send out letters; do you know anything about those letters that he signed?

Mr. GRAY. Well, he did that after he had been instructed by him to do it. We instructed them and they instructed Ley. You see, it was kind of a three-cornered game, I had to go through Marlin-Rockwell Co. to get to Ley, and then Marlin-Rockwell Co. have a representative in Wilmington and have to go over to Washington and they objected to that, and there Mr. Morrow came down and lived at the Augustine Hotel, and then I dealt with Morrow and he dealt with Ley. They did not send out any cancellation orders until they were told to do it. If everybody canceled it would make a disruption in the business world and we were told to proceed in that way. And as soon as we got orders they had a letter directing them to correspond and see what they could do toward cancellation, and that was the occasion for sending out the letters.

Mr. GARRETT. I was just about to refer to that. If my memory serves me correct Mr. Toby read to the committee here a letter or two that he claimed to have sent out almost immediately, and then

a telegram that he received from the department, and the impression was made upon my mind—I have not read the testimony at all—that parties to whom he wrote must have communicated in some way with the department here and the department telegraphed advising as you have stated that it was not desirable to have industry thrown into utter confusion.

Mr. GRAY. Yes; he may have done that; very likely he did.

Mr. GARRETT. I believe that is all.

Mr. GRAHAM. Maj. Gray, do you know who was present at that conference in Washington that you have spoken about with the Marlin-Rockwell people?

Mr. GRAY. I was not there; I only know from some of the information I got. Mr. Kinnear and Mr. Toby, and Mr.—he is from their New York office; let me see if I have their organization in here; no; their New York officials; their president, and their leading officials from New York were present. I do not know who was there from the Ordnance Department; I think Col. Trask was there from the Construction Division; they had that conference.

Mr. GRAHAM. It was after—

Mr. GRAY (interposing). That was after Maj. Foster's report.

Mr. GRAHAM. Yes; Maj. Foster's report was dated October 23.

Mr. GRAY. Yes; and it was after his report and that visit of Col. Trask and Maj. Wallis, and some other officers from Washington came there, and then they came back and then they had the conference over the progress of the work.

Mr. GRAHAM. And that is when they agreed to let you out?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. I think in connection with your statement here, I think you had better offer, so that it can be put in the record, the letters that you received from the department calling for your release, and the order reinstating you. You can pick those out afterwards.

Mr. GRAY. All right.

(The letters and orders referred to were afterwards furnished by Mr. Gray and are as follows:)

A telegram from the Adjutant General's Office dated November 6, 1918, and received at the Marlin-Rockwell Loading Plant November 7, 1918, relieved the constructing officer, Maj. Wm. B. Gray, from duty at the Marlin-Rockwell Loading Plant, and ordered him to report to the Chief of Construction Division, Washington, D. C., as his assistant.

He was also ordered to turn over to his successor, Maj. J. D. Moen, all construction work and authorizations at the Marlin-Rockwell Loading Plant and the Bethlehem Loading Co. Cafeteria; copies of correspondence, orders, etc., are as follows:

WASHINGTON, D. C., November 6, 1918.

Maj. Wm. B. GRAY,

Officer in Charge of Construction Work,

Marlin-Rockwell Loading Plant, Rockwell Park, Del.

You are hereby relieved from present station and duties. You will turn over to your successor, Maj. J. D. Moen, all construction work now going on, all authorizations for all funds, files, and records pertaining to construction work at Marlin-Rockwell Loading Plant and Bethlehem Loading Co. Cafeteria, and then proceed without delay to Washington, D. C., and take station there and report to chief of Construction Division for duty as his assistant. Travel directed necessary in military service.

HARRIS.

On November 19, 1918, Maj. Wm. B. Gray was reinstated as construction officer at the Marlin-Rockwell Loading Plant, Delaware City, Del., and the Bethlehem Loading Plant Cafeteria. Correspondence relating thereto as follows:

Special Orders, 271-0.

WAR DEPARTMENT,
Washington, D. C., November 19, 1918.

118. War Department orders heretofore issued relieving Maj. Wm. B. Gray, Engineers, from duty at Marlin-Rockwell Loading Plant, Delaware City, and cafeteria for Bethlehem Loading Plant are hereby revoked.

By order of the Secretary of War:

PEYTON C. MARCH,
General, Chief of Staff.

Official:

P. C. HARRIS,
The Adjutant General.

Special Orders, 272-0.

WAR DEPARTMENT,
Washington, D. C., November 20, 1918.

88. Maj. William B. Gray, now officer in charge of construction work, Delaware City, Del., will assume duty as officer in charge of construction of cafeteria, Bethlehem Loading Co., near Castle, Del., under direction of chief of Construction Division, in addition to his other duties. Travel directed is necessary in the military service.

By order of the Secretary of War:

PEYTON C. MARCH,
General, Chief of Staff.

Official:

P. C. HARRIS,
The Adjutant General.

WAR DEPARTMENT,
OFFICE OF CONSTRUCTING OFFICER MARLIN-ROCKWELL PLANT,
Wilmington, Del., November 2, 1918.

From: Constructing officer.

To: Chief of Constructing Division. (Attention of Maj. H. U. Wallace.)

Subject: Change of station.

1. Yesterday in advising me orally of my relief from duty at this station and transfer to Washington to take station there as assistant to the Chief of the Construction Division, you stated that my being relieved from duty here was in no way a reflection on my record and I am writing you asking you to confirm that by letter.

WM. B. GRAY,
Major of Engineers, Constructing Officer.

WAR DEPARTMENT,
OFFICE OF CONSTRUCTING OFFICER MARLIN-ROCKWELL PLANT,
Wilmington, Del., November 8, 1918.

From: Constructing officer.

To: Chief of Construction Division. (Attention of Maj. H. U. Wallace.)

Subject: Change of station.

1. In relation to telegraphic order which I have from The Adjutant General and your oral instructions to me relieving me from duty at my station with orders to turn over to my successor, Maj. J. D. Moen, all the construction work now going on at the Marlin-Rockwell Loading Plant and the Bethlehem Loading Co. cafeteria, Col. Trask yesterday afternoon, as well as yourself, instructed me to remain here as constructing officer until final decision has been reached as to the completion of the project. Col. Trask directed Capt. Shaw to have you write me a letter stating that under his instructions and until further orders, I was to remain here as constructing officer. This was to protect me in so far as the orders relieving me had been received from The Adjutant General.

2. Would ask you to have this letter written to me.

WM. B. GRAY,
Major of Engineers, Constructing Officer.

WAR DEPARTMENT,
OFFICE OF THE CONSTRUCTION DIVISION OF THE ARMY,
Washington, D. C., November 18, 1918.

From: Chief of Construction Division.

To: Constructing officer, Marlin-Rockwell Loading Co., Delaware City, Del.

Subject: Charge of station.

1. Your letter of the 8th referring to change in station.
2. This is to advise you that the recent proposal to transfer you from your present station was in no way a reflection on your work at Marlin-Rockwell plant.

R. C. MARSHALL, Jr.,
Brigadier General, United States Army,
Chief of Construction Division,
By H. U. WALLACE,
Major, Engineers, United States Army.

Mr. GRAHAM. Now, this company, Major, has filed a claim here with the Government for \$600,000, approximately, we are advised. I do not know whether it is fair to ask you or not, but I will take a chance on it: From what you observed of the work out there and what you know of the situation, do you think there is anything coming to that company?

Mr. GRAY. There is nothing coming to them, except what they are entitled to under the terms of their agreement. If their contract is a valid contract, they are entitled to their commission.

Mr. GRAHAM. Was their negligence and their general conduct of the work out there so grossly negligent as to make the payment of further compensation to them unnecessary, in your judgment?

Mr. GRAY. Well, if it is considered from the services rendered, I would say they were not entitled to anything more.

Mr. GRAHAM. But if it was constructed strictly according to the letter of the contract, you could not say?

Mr. GRAY. No; the contract would make it a legal question; it would be a legal question. Their contract is prefaced; the preamble of the contract is, "Whereas they have had experience"; so their contract is based on a false premise. I understood the contract is what is known as an informal contract; came under contract not properly signed.

Mr. GRAHAM. Yes; it comes under the act of March 2 last.

Mr. GRAY. Yes, sir.

Mr. GRAHAM. How many bunk houses did they build out there, Major?

Mr. GRAY. There was over 160 buildings altogether. I can tell you how many bunk houses were built.

Mr. GRAHAM. The list there shows 40.

Mr. GRAY. Forty bunk houses? Then that is the correct amount. There was different types—27 mechanics' bunk houses there presumed to be a little better than the others. There was 8, say, bunk houses and 27 and 8 would make 35; and there were 16 laborers' bunk houses, and that would make 51; 51 bunk houses altogether.

Mr. GRAHAM. What were they made of, tar paper and batten. weren't they, on the outside?

Mr. GRAY. No; they were made of inch boards covered with tar paper and the tar paper battened on.

Mr. GRAHAM. About what did they cost apiece?

Mr. GRAY. About \$3,000 or \$3,200.

Mr. GRAHAM. About \$3,200 apiece?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. How long were they, did you say?

Mr. GRAY. A few were 50 feet long, and the majority were 100 feet long.

Mr. GRAHAM. How wide?

Mr. GRAY. Twenty feet wide.

Mr. GRAHAM. I notice some there are 16 feet wide.

Mr. GRAY. There may have been some of them 16; I think the first ones built were probably 16 feet wide. They were a one-story building.

Mr. GRAHAM. And cheap construction?

Mr. GRAY. Just the cheapest construction that you could plan or design.

Mr. GRAHAM. Now, this commissary building or cafeteria, as you call it, how big a building was that?

Mr. GRAY. You mean the one first built?

Mr. GRAHAM. The permanent one; the one that cost \$140,000, if that is what it cost?

Mr. GRAY. I will have to look at that. That is what it cost; it is quite an elaborate building and covers a good deal of ground. I do not find the dimensions here now.

Mr. GARRETT. It was to accommodate 3,000 people?

Mr. GRAY. To accommodate 3,000 people; it is a pretty big place. It is 175 feet and 10 inches by 220 feet and 8 inches.

Mr. GRAHAM. About 175 feet wide one way and 200 feet the other?

Mr. GRAY. Yes, sir.

Mr. GRAHAM. And what was it built of?

Mr. GRAY. It was built of boards, a frame structure.

Mr. GRAHAM. And was not plastered inside?

Mr. GRAY. No.

Mr. GRAHAM. Just temporary construction?

Mr. GRAY. Temporary construction; it was to be lined with wall boards.

Mr. GRAHAM. But it was not walled?

Mr. GRAY. I think it was; I think it had been partly lined with wall boards, but I am not sure.

Mr. GRAHAM. How high a structure was it?

Mr. GRAY. It was one story high; it was constructed with a lantern ventilator.

Mr. GRAHAM. What sort of a roof did it have on it?

Mr. GRAY. It had a roof of boards and covered with tar paper.

Mr. GRAHAM. Did you ever see this so-called tabernacle down here by the depot?

Mr. GRAY. Yes.

Mr. GRAHAM. How did it compare in size with that structure?

Mr. GRAY. The tabernacle is larger, somewhat similar in shape, but the tabernacle is a larger building.

Mr. GRAHAM. What was inside of it?

Mr. GRAY. Inside was a built-in refrigerator and some small refrigerators; there was also a kitchen, counters for serving the meals, and there were steam tables and the usual kitchen and cafeteria equipment, and there were tables and benches for men to sit down to. It was divided into small eating quarters for office men and women, and large quarters for a general cafeteria.

Mr. GRAHAM. How expensive was the equipment inside of the building?

Mr. GRAY. I do not know; I do not buy the equipment; it could not be bought by the Ordnance Department.

Mr. GRAHAM. I am curious to know what made that place cost \$140,000; that is an immense sum of money for a building.

Mr. GRAY. That is an immense sum.

Mr. GRAHAM. What made it cost that much?

Mr. GRAY. Well, the materials that entered into it, and the labor.

Mr. GRAHAM. Major, how many thousand feet of lumber do you suppose were in that building?

Mr. GRAY. I would have to go and look the details up for that; I do not know. I have the details here on it, and I will look into that and see what that will give us.

Mr. GRAHAM. Do you know what you were paying for lumber out there?

Mr. GRAY. The lumber for that came—I think a good bit of it was War Department purchases here. We paid the price, which was a standard price fixed for lumber.

Mr. GRAHAM. Was this building on permanent foundations?

Mr. GRAY. It was on posts.

Mr. GRAHAM. What kind of a floor did it have?

Mr. GRAY. It had a double floor; it was floored over with 2-inch planks and a rough flooring, and then covered with a tongued and grooved regular $\frac{3}{4}$ -inch flooring, with paper lining between the two floors, which made it damp proof. Then it had plenty of ventilation and plenty of light and a good many windows on the sides and ends. Here is a description of it:

Mr. GRAHAM (interposing.) Read it.

Mr. GRAY. Frame; one story; novelty siding; size of building, 175 feet 10 inches by 228 feet 8 inches; the foundations, wooden posts; roof, gable, covered with prepared roofing. Large monitors for light and ventilation. It had on the first floor three large and one small dining rooms, one store with counters, one kitchen, one bakery, one washroom, six offices, two refrigerators, and six store-rooms. It had two toilets, fixtures not set.

On the second floor it was intended for toilets, but none were placed. It was heated by steam; 75 per cent of the heating was installed; electric light 85 per cent complete; the plumbing, hot and cold water, 85 per cent complete. There was a platform on the rear; there were 24 single doors and one double door; 105 double-sash windows and 255 single-sash windows. The labor cost was \$52,842.70, the lumber cost \$37,947.54, and the additional cost—the charging up of all the overhead expenses in the proportion of unloading materials and policing the plant and clearing up to the time this report is made. It is not dated here [indicating], but there is a date to go with it—added to that \$42,203, its proportion of these charges, made it cost \$132,794.04. The labor cost, as you will notice in this item, exceeds the material almost \$20,000.

Mr. GRAHAM. And the overhead exceeds the material?

Mr. GRAY. The overhead exceeds the material. The overhead extends over a good many months.

The items of construction, you will note, are divided into three heads—labor cost, material cost, additional cost. The additional-cost

item represents the overhead charges, unloading and handling of materials, distributed in proportion to the cost of the building.

Mr. GARRETT. You spoke of the placing of the cross-ties on this railroad 12 inches apart when they should have been 24?

Mr. GRAY. Yes.

Mr. GARRETT. Did you have that changed on the part that was constructed after you went there?

Mr. GRAY. Yes.

Mr. GARRETT. Did you have any trouble with them about that?

Mr. GRAY. We had to place an inspector there to see that it was done; every step had to be inspected, everything that was done. There had to be an inspector to see that orders were carried on.

I would like to add that under instructions from me the contractor placed his expediting of materials and transportation under a man named Riley Williams, an experienced railroad man. That was done in order to put some economy and efficiency into the handling of traffic, and he also placed William O'Pelt as master mechanic, to take charge of the machinery, in order to see that the machinery came in in working order and was kept in working order. These men were on F. T. Ley & Co.'s pay roll, but they had been former Government employees on other work and came there under my recommendation.

Mr. GARRETT. How much of a road do you say there was there when you went there?

Mr. GRAY. I think there was less than a mile. [Referring to papers.] September 18 there was completed 29,680 linear feet of rough grading, and there were 24,824 linear feet of track laid; that was inspected the 18th. So when I went there on the 10th there was probably half of that, say, 2 miles of grading and 2 miles of track.

Mr. GARRETT. The total of both was $8\frac{1}{2}$ miles?

Mr. GRAY. Eight and a half miles; yes, sir.

Mr. GARRETT. You spoke of the fact that there should have been about \$100,000 saved on the total road?

Mr. GRAY. On the total road.

Mr. GARRETT. I suppose, therefore, there were some plans of theirs on this other $6\frac{1}{2}$ miles constructed after you went there with which you had no authority to interfere, or did not interfere, that might have been changed.

Mr. GRAY. We could not change it very much then; it was located and the work was going on, and I could not go in and alter such things very rapidly.

Mr. GARRETT. How much could it have been shortened by cutting out those curves? Did you make any survey of it?

Mr. GRAY. It might have been shortened, one of my railroad engineers said, a half mile, but the shortening would have reduced the curvature and made a better hauling road, and the cheapening would have been in the grading and the track laying. The labor cost was excessive. There were so many things to go after to try to regulate that it was almost a physical impossibility to get at it all at one time.

Mr. JEFFERIS. Major, which one of these companies, in your opinion, was making the greater effort to increase the cost of construction there, as you observed it from your contact with that?

MR. GRAY. Both—of course, the Ley Co., actually doing the work, had the better opportunity, and he used that opportunity; but the other people who were the Government agents, responsible for it and were the designers, they made no effort to modify the conditions.

MR. JEFFERIS. In other words, as you saw it, both companies were, by one method or another, endeavoring to increase the cost as much as they could?

MR. GRAY. I can illustrate it, with a little illustration that will be plain to any practical business man: They had a steam shovel working, say, at this hill [indicating] and making a fill over at that corner over there [indicating], and it was a mile and a half of track around here. From where they took this material out here [indicating] to where they dumped it was level: there was a hill here [indicating] and swamps out there. They had no passing point between the dump and the shovel; they had a little spur up at the shovel, and they had only two trains working there. One locomotive was taking three little dump cars, and the other was taking four, and they took their coal on the main line, and this curved when they came around here [indicating], so that when one fellow was taking the coal and water the other could not get by; there was no place for them to pass. They had to come with the empties up here to this little spur and run in there while the loads went out, and it would take the shovel about three minutes to load the three cars, or less—it could load them in less than three minutes. So he could not run down here [indicating] and pass somewhere on the road. It took the man out here [indicating] three or four minutes. Instead of dumping that material on the side and bringing the tracks up and then moving over and dumping it as they went, in the usual method, they run that track right down the middle of that tract and dumped on both sides, and shoveled it out by hand; and I did not get that thing altered by any talk I could have, until I had to go on record. Everything that was to be done had to be written, and the letter had to pass through so many hands before it reached the fellow who was responsible. There was no fellow to go right out and say, "Don't do that." That is fundamental, however. Any contractor that would do that would go broke. It was costing \$1.50 to \$2 to move that material which ought not to cost more than 25 or 30 cents, and in war time 50 cents. We did the same kind of work at Middletown at a cost of 18 or 20 cents. But track was laid, passing provided, and water provided; and the trains carried 6 or 8 carloads of material; it was done the right way. They never did anything right until you went right on their backs and made them do it. I had to put an inspector at that steam shovel and another at the dump to see that they did their work; and they had a foreman and paid him \$10 or \$12 a day and overtime; common labor on the job they paid \$50 to \$75 a week, and carpenters got \$125 a week. But those were the fundamental things that were done wrong. There was not any question but what they were done wrong. When you interfered with that, you would have to interfere and I had to be most drastic with them—just had to go and make them discharge some fellow who was doing that, but he was doing it under directions and it was not his fault. They would say, "You ought to have known better."

MR. GRAHAM. I want to ask you something more about this Capt. Russel. What became of him?

Mr. GRAY. He went into the Army; I do not know what became of him.

Mr. GRAHAM. Do you know whether he is still in the Army?

Mr. GRAY. I have not any idea.

Mr. GRAHAM. Do you know whether he had any connections with this department in any way?

Mr. GRAY. I do not; I never heard of him afterwards.

Mr. GRAHAM. We will now hear Mr. Blakey.

TESTIMONY OF MR. LEWIS J. BLAKEY, FORMERLY ASSISTANT SUPERVISOR, ORDNANCE DISTRICT CLAIMS BOARD, CHICAGO, ILL.

Mr. GRAHAM. Give your name to the reporter, please.

Mr. BLAKEY. Lewis J. Blakey.

Mr. GRAHAM. Mr. Blakey, are you at present in the employ of the War Department?

Mr. BLAKEY. I was until the 5th of this month—October—and I asked for leave of absence.

Mr. GRAHAM. Are you on leave of absence?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Then you are technically in the employ of the department?

Mr. BLAKEY. Yes, sir; I have not resigned.

Mr. GRAHAM. When does your leave expire?

Mr. BLAKEY. Thirty days from the 5th of October.

Mr. GRAHAM. When did you go into the employ of the War Department?

Mr. BLAKEY. September 17, 1917.

Mr. GRAHAM. What is your age, Mr. Blakey?

Mr. BLAKEY. Thirty-four.

Mr. GRAHAM. How did you come to go into the War Department?

Mr. BLAKEY. They were advertising for accountants and I applied to the Civil Service Commission and was rated senior accountant.

Mr. GRAHAM. You are an accountant, are you, by profession?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Where did you live before you came into the War Department?

Mr. BLAKEY. Cardiff, Md.

Mr. GRAHAM. Are you a man of family?

Mr. BLAKEY. I have a wife; yes, sir.

Mr. GRAHAM. What I was trying to get at was, were you subject to the draft?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. When you went into the War Department, when did you start on your work?

Mr. BLAKEY. I began work on the 17th of September, 1917.

Mr. GRAHAM. What work did you start at?

Mr. BLAKEY. The first assignment was in Baltimore, Md., in the plant of the Bartlett, Hayward Co.

Mr. GRAHAM. What were they making?

Mr. BLAKEY. Shells, 75 mm., etc.

Mr. GRAHAM. What sort of work were you put at?

Mr. BLAKEY. Cost accounting, auditing the costs.

Mr. GRAHAM. How long did you remain there?

Mr. BLAKEY. Until April, 1918.

Mr. GRAHAM. Then where did you go?

Mr. BLAKEY. I was ordered to Washington, and then assigned to Hammond, Ind.

Mr. GRAHAM. At what plant?

Mr. BLAKEY. The Standard Steel Car Co.

Mr. GRAHAM. Did they have a war contract?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. For what?

Mr. BLAKEY. The manufacture of 240-mm. howitzer gun carriages.

Mr. GRAHAM. Do you know how many they were to manufacture?

Mr. BLAKEY. 964.

Mr. GRAHAM. Did you remain there until your leave of absence?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. What were your duties there?

Mr. BLAKEY. I was accountant in charge of the Government auditing.

Mr. GRAHAM. And as such what did you have to do?

Mr. BLAKEY. We audited the expenditures of all of their disbursements, checking their pay rolls, and vouchers, etc.

Mr. GRAHAM. After the armistice, what work did you do?

Mr. BLAKEY. We continued the same work.

Mr. GRAHAM. At any time were you asked to submit a report on this proposition by anyone?

Mr. BLAKEY. Very frequently we were asked for information, which we would submit in writing in the form of letters.

Mr. GRAHAM. Up to the time of the signing of the armistice, what progress had been made by these gentlemen on their contracts?

Mr. BLAKEY. They had not produced any gun carriages at all.

Mr. GRAHAM. Do you know the date of the contract?

Mr. BLAKEY. Yes, sir; it is November 16, 1917.

Mr. GRAHAM. What were they to be paid for these carriages?

Mr. BLAKEY. The procurement order stated that an estimate was to be prepared, and based on that estimate a fixed profit was to be paid them, which should not be more than 10 per cent of cost.

Mr. GRAHAM. Then, it was a contract that compensation was to be a 10 per cent proposition on the estimated cost?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. How was the estimated cost to be arrived at?

Mr. BLAKEY. The contractor furnished an estimate, and that was gone over by Ordnance employees, and using the two figures they agreed on a fixed profit.

Mr. GRAHAM. Was the estimate fixed in the contract?

Mr. BLAKEY. The contract was never drawn; was never signed up. After these estimates were prepared the profit was agreed upon, but no contract was ever signed.

Mr. GRAHAM. None at all?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. Then there was simply a procurement order?

Mr. BLAKEY. There was simply a procurement order; an informal contract.

Mr. GRAHAM. One would think, from the large amount of money involved, that a contract would have been prepared. Do you know of any reason why there was not one?

Mr. BLAKEY. I understand that there were several contracts drawn, and the Standard Steel Car Co. always found some exception to some of the things that were put in there and never agreed on the contract.

Mr. GRAHAM. Do you know what estimated cost was finally agreed on for the making of these carriages?

Mr. BLAKEY. The estimate as originally prepared by the Standard Steel Car Co. was about \$59,000.

Mr. GRAHAM. Apiece?

Mr. BLAKEY. Yes, sir; but the estimate as revised by the Ordnance officials was only about \$33,000, and they agreed then on the cost of \$40,000, which gave them \$4,000 for carriage profit.

Mr. GRAHAM. Were they also furnished some special facilities?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Was this in the procurement order?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Do you have with you a copy of the procurement order?

Mr. BLAKEY. No, sir; I do not.

Mr. GRAHAM. I have not looked at them; but they are here, and we can put them into the record later.

Well, what progress did you observe that they made from the time that you went into the plant, Mr. Blakey?

Mr. BLAKEY. It seemed they were always delayed for some reason or other.

Mr. GRAHAM. Did you know any reason for the delay?

Mr. BLAKEY. Well, they claimed it was on account of nonreceipt of the full set of drawings.

Mr. GRAHAM. I find in the files here what purports to be a contract for 964 9.5 howitzer carriers, model 1918, Snyder, dated November 15, 1917, but which has no signatures on it. Do you know whether this was the contract that was being considered between them?

Mr. BLAKEY. I think it was.

Mr. GRAHAM. But it was never signed?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. Do you know, from your own knowledge gathered at the plant, what was delaying the progress of this work?

Mr. BLAKEY. The opinion of myself, as well as that of a lot of the other Government officials, was that it was their organization as much as anything else—the inefficiency of the organization.

Mr. GRAHAM. Had they ever done any work like this before?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. I judge they were car makers?

Mr. BLAKEY. They were manufacturing freight cars and passenger cars.

Mr. GRAHAM. Do they have a plant at Hammond?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. What additional building, if any, did they do for this particular plant?

Mr. BLAKEY. They did not do any themselves, except what the Government paid for.

Mr. GRAHAM. Did the Government build any buildings there?

Mr. BLAKEY. The Government spent something over \$700,000 for buildings. I believe they did spend about \$100,000 on some of their own buildings.

Mr. GRAHAM. What did the Government build there?

Mr. BLAKEY. There was one large steel building which cost about \$400,000, which was an addition to one of their own buildings, and then they built an office, a concrete warehouse, and several other small buildings.

Mr. GRAHAM. Are those all permanent buildings?

Mr. BLAKEY. Yes, sir; all except the office.

Mr. GRAHAM. And are constructed on the lines of the Steel Car Co.?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Do you know whether they are still using them?

Mr. BLAKEY. They are; yes, sir.

Mr. GRAHAM. Are they using them now for this Government work, or something else?

Mr. BLAKEY. They were still being used in the Government work. The Government, in other words, still had possession of the plant 100 per cent.

Mr. GRAHAM. What did the Government do after the armistice about the continuation of the contract?

Mr. BLAKEY. They first reported a cancellation—there were 300 carriages—and they later revised that cancellation and reduced the order to 200; and those 200 were completed in June, 1919.

Mr. GRAHAM. Then what did the Government do?

Mr. BLAKEY. They continued then the shipment of what had been completed, including the semifinished work. A lot of that went to the different arsenals, Watertown and Rock Island.

Mr. GRAHAM. Has not that work been concluded yet?

Mr. BLAKEY. No, sir; that is still going on.

Mr. GRAHAM. That work was finished four months ago?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. And you say the Government had retained that plant 100 per cent?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Does it have any considerable force of people working there?

Mr. BLAKEY. The pay-roll cost is approximately \$18,000 or \$20,000 a month that they are paying to the Standard Steel Car Co.

Mr. GRAHAM. That the Government is paying to the Standard Steel Car Co.?

Mr. BLAKEY. Yes, sir; up to the 1st of October.

Mr. GRAHAM. What is that for?

Mr. BLAKEY. As I explained, in the shipping of those spare parts and machinery—a lot of the machinery was ordered to be shipped out of there to the Watertown Arsenal.

Mr. GRAHAM. What happened after the 1st of October?

Mr. BLAKEY. I am not familiar with what is going on now.

Mr. GRAHAM. You have not been there since the 1st of October?

Mr. BLAKEY. I was there on the 2d and 3d, but I was not familiar with what was going on.

Mr. GRAHAM. In your judgment was it necessary for the Government to have this force there after the work was finished right along?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did the Government take over all the spare parts that were left and partly finished work?

Mr. BLAKEY. Well, yes; the Government had already paid for all that material.

Mr. GRAHAM. Did the contractor take back any of the material?

Mr. BLAKEY. The only they took it back was in final settlement at scrap value.

Mr. GRAHAM. Did they on final settlement take some back?

Mr. BLAKEY. Yes, sir; they took all that was left on hand up to October 1, made a salvage offer and bought it all.

Mr. GRAHAM. What did that include; what kind of stuff?

Mr. BLAKEY. It included all kinds of steel and steel plates, bars, and all kinds of indirect material, such as belts, oil, brass, etc.

Mr. GRAHAM. Were salvage values fixed on those materials?

Mr. BLAKEY. The salvage values were really estimated on the whole lot.

Mr. GRAHAM. Do you have a detailed statement of those salvage values so that they can be accessible?

Mr. BLAKEY. No, sir; I can give you an idea of the totals. They simply estimate that the total value of all of the material there was worth \$200,000, and agreed on that figure.

Mr. GRAHAM. Mr. Blakey, you have been making some examinations there, have you not, as an accountant as to the claim this company made?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. How did you happen to go into that work?

Mr. BLAKEY. That was part of my duties.

Mr. GRAHAM. When did they first file their claim, do you know?

Mr. BLAKEY. I think about the 28th of June.

Mr. GRAHAM. And did you thereafter go into the examination of it?

Mr. BLAKEY. No, sir. The claim was not given me until some time in September.

Mr. GRAHAM. Who gave it to you then?

Mr. BLAKEY. Mr. Miller, our supervisor in Chicago.

Mr. GRAHAM. Did he tell you to examine it?

Mr. BLAKEY. It was given to me with a memorandum to audit certain items that were crossed.

Mr. GRAHAM. What item was that?

Mr. BLAKEY. There were several items?

Mr. GRAHAM. All right; name them.

Mr. BLAKEY. The first one for \$98,910, which is supposed to be a carrying charge.

Mr. GRAHAM. Now, just name the other items, and then we will go into each one of them seriatim.

Mr. BLAKEY. Then the second was \$261,000, which was supposed to be unabsorbed administrative expense; and the third was \$656,394, the cost of work in process; and the next item was \$121,585, amount paid to a subcontractor; and there was \$2,475 miscellaneous expen-

diture; and there was \$467,184 and \$17,140, supposed to have been their loss in the manufacture of freight cars; and \$65,760, money which they had spent on one of the Government buildings for which they had not been reimbursed.

Mr. GRAHAM. Are those all the items, now?

Mr. BLAKEY. About \$70,000 in addition to that for interest. Those are the items.

Mr. GRAHAM. That he told you to examine?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did you go into an examination of the matter there in reference to those items?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Do you have with you a copy of the first claim that this company filed, showing the items?

Mr. BLAKEY. Not the whole claim, but I have here a typewritten memorandum which says, "Original claim."

Mr. GRAHAM. Who gave you that?

Mr. BLAKEY. This was the claim that was given to me, along with the claim. Instead of auditing the whole claim or having to go into the whole claim, they gave me this as a memorandum to merely audit the items they had crossed.

Mr. GRAHAM. So that probably that does not include the entire claim as originally presented?

Mr. BLAKEY. I do not think it includes it all.

Mr. GRAHAM. Do you know what the amount of their original claim for compensation was?

Mr. BLAKEY. Yes, sir; it was about \$6,000,000.

Mr. GRAHAM. After auditing this account and going over it, did you make a report on this proposition?

Mr. BLAKEY. Yes, sir; I wrote a letter to the claims board, Chicago district.

Mr. GRAHAM. Have you that letter?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Let us see it, will you?

Mr. BLAKEY. It is a copy.

Mr. GRAHAM. Did you afterwards change this report in any way?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. I think the report may go into the record here.

(The letter and report referred to, submitted by Mr. Blakey, are here printed in full, as follows:)

HAMMOND, IND., September 15, 1919.

From: L. J. Blakey, assistant supervisor, Cost Accounting Branch, Ordnance Department.

To: C. R. Miller, Supervisor Cost Accounting Branch, Ordnance Department, Chicago, Ill.

Subject: Claims of Standard Steel Car Co.

1. I inclose two letters to Ordnance District Claims Board, and you will note there are three copies of each as well as three copies of all statements. You may retain one copy of each for your files.

2. Please note that Standard Steel Car Co. has been reimbursed for all expenditures against the caterpillar contracts except the engineering, for which we have no contract. Also, please note that they claim 10 per cent profit on total expenditures, whereas they have been paid \$2,800 fixed profit for the sample caterpillar.

3. I inferred from Lieut. Col. Arison's conversation on September 8 the \$3,000,000 settlement on War Order C. F. 331 had been agreed to, and I was

also advised by Standard Steel Car Co. that this sum was not subject to reduction. If this is correct, my preliminary report should be all that is necessary.

L. J. BLAKEY, Assistant Supervisor.

HAMMOND, IND., September 15, 1919.

From: L. J. Blakey, Assistant Supervisor Cost Accounting Branch, Ordnance Department.

To: Ordnance District Claims Board, Chicago, Ill.

Subject: Claim of Standard Steel Car Co., due to suspension of War Order C. F. 331.

1. A typewritten memorandum consisting of three sheets, including schedules 1 to 10, inclusive, or original claim showing revised claim of \$3,000,000, was handed to the writer on September 2, 1919, with instructions to "Audit items marked X." I attach hereto two copies of the memorandum to which I referred, and wish to submit a preliminary report which follows:

2. *Schedule 1, item A, interest.*—Standard Steel Car Co.'s investment in what is known as the Ordnance Department, as shown by their records as of December 31, 1917, not including land, was \$870,880.72. This included buildings, machinery, equipment, etc., as well as preliminary expenses in the construction of said plant. A statement was submitted January 14, 1918, showing investment of \$762,910, although the former figures were used in paying them 6 per cent depreciation. As of June 30, 1919, it was \$851,921.92. Depreciation has been paid at the rate of 6 per cent per year on this investment as part of cost. The figures as submitted in revised claim, namely, \$1,000,000, are approximately correct, as some machinery was transferred to freight-car department.

3. *Schedule 1, item B, administrative expense.*—I attach hereto two copies of a statement of their general administrative expenses by months from November 1, 1917, to June 30, 1919, which require no explanations. However, I might add that the amounts shown in second column, as not being applicable to the cost of Government contracts, are made up mostly of legal expenses, donations, and advertising their automobile business. The net administrative expenses have been prorated to their four plants based on productive labor, performed at each plant, the Ordnance Department absorbing \$109,538.73. The figures of \$261,251.45, supposed to be loss of proportion of administrative expenses which the Ordnance Department should have absorbed, are estimated and can not be verified.

4. *Schedule 2, item 1, profit.*—Two hundred carriages were completed, and if \$4,000 per carriage profit is allowed, the sum of \$800,000 is correct. The cost of work performed in excess of the 200 carriages is something which will require some time to verify, and if the amount of profit thereon shown as \$656,894.05 is subject to reduction if found to be incorrect. An audit should be made. However, if this amount has been agreed to, based upon estimates, furnished by Standard Steel Car Co., and is not subject to change, no audit is necessary.

5. *Schedule 3, item A, profit on jigs, tools, etc.*—The actual cost of dies, jigs, tools, fixtures, special machines, etc., paid for as increased facilities under instructions from Washington, can be verified and is approximately \$500,000. If the proposed profit of \$50,000 thereon is subject to reduction if cost thereof of \$500,000 is found to be incorrect, an audit should be made. However, if this amount has been agreed to, based upon estimates furnished by Standard Steel Car Co., and is not subject to change, no audit is necessary.

6. *Schedule 3, item B, compensation.*—The amount shown, namely, \$50,000, is not based upon any cost which can be verified.

7. *Schedule 4, Standard Electric Engineering Co.*—\$121,585.57 and other sums not allowed, namely, \$2,475.74, can be verified, if subject to change.

8. *Schedule 5.*—Loss in the manufacture of railroad equipment and expenses of moving passenged-car department to freight-car department can be verified, but it appears that claim for \$484,325.28 to cover this item is based partly upon an estimate which can not be audited.

9. *Schedule 6, cost of hotel, garage, roadway, brick wall, etc.*—The amount shown, namely, \$473,072.17 can be verified if subject to change.

10. *Schedule 7, item B, plant rental.*—The amount shown, namely, \$150,000, is by agreement and could not be audited.

11. *Schedule 8, expenditures on United States buildings.*—The amount shown, namely, \$65,760.32, can be verified if subject to change.

12. *Schedules 9 and 10, interest.*—The amounts shown, namely, \$29,066.18 and \$41,002.54, can be verified if subject to change.

L. J. BLAKEY,
Assistant Supervisor.

Mr. GRAHAM. After making this report to the Chicago ordnance office, what action, if any, was taken by that office?

Mr. BLAKEY. None. I was advised later that the chairman of the Chicago claims board never saw the letter.

Mr. GRAHAM. Who did you send it to?

Mr. BLAKEY. I mailed it to our supervisor, Mr. Miller, and he gave it to Col. E. S. Hughes, who was in Chicago as special representative of the Ordnance Department claims board, and he was acting in the capacity of the Chicago claims board, although he was not chairman or anything of the claims board, but he got this letter—the letter was given to him—and he did not give the letter or did not show the letter to Col. Arison, who was chairman of the claims board, and, in fact, none of the claims board members ever saw the letter, as far as I know.

Mr. GRAHAM. Did they ever know, so far as you know, what you thought about the thing?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. What did the claims board do?

Mr. BLAKEY. Well, it appears as though Col. Arison agreed with the Standard Steel Car Co. officials to an arbitrary amount set at \$3,000,000, and in order to get that railroaded through in a hurry he came to Washington and got Col. McFarland, of the Ordnance Department claims board, and Col. Reeves, of the War Department claims board, along with several other gentlemen whom I do not remember the names of, and took them into Chicago, and they held about two conferences and approved the amount as mentioned here, for \$3,000,000.

Mr. GRAHAM. Was \$3,000,000 allowed them?

Mr. BLAKEY. Yes, sir; \$800,000 of that was profit that they had earned, placed on the production of 200 carriages at \$4,000 per carriage, but the total claim allowed was \$3,000,000.

Mr. GRAHAM. Has that been paid?

Mr. BLAKEY. I understand it has. May I make just a little explanation right there?

Mr. GRAHAM. Yes, sir.

Mr. BLAKEY. I had already inferred that the \$3,000,000 had been agreed to, and that they did not want an audit; and I simply wrote this letter, and I wrote another letter that went with it, in which I said:

I inferred from Lieut. Col. Arison's conversation on September 8 that the \$3,000,000 settlement on War Order C. F. 331 had been agreed to, and I was also advised by Standard Steel Car Co. that this sum was not subject to reduction. If this is correct, my preliminary report should be all that is necessary.

In other words, I asked the question, What is the use of spending months auditing these figures if you are going to accept their estimate and allow them \$3,000,000 before you make the audit?

Mr. GRAHAM. What answer, if any, did you get?

Mr. BLAKEY. I did not get any.

Mr. GRAHAM. What date is this letter?

Mr. BLAKEY. September 15.

Mr. GRAHAM. And addressed to whom?

Mr. BLAKEY. Charles R. Miller, supervisor.

Mr. GRAHAM. Did you ever see Mr. Miller afterwards?

Mr. BLAKEY. Yes, sir; I saw him practically every day.

Mr. GRAHAM. Did you ask him about this?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. What did he say?

Mr. BLAKEY. He said Col. Hughes was handling it, and it continued on in that condition until September 25, at which time the conference was held, when all of the officials were present.

Mr. GRAHAM. Where was it held?

Mr. BLAKEY. At the Standard Steel Car Co. offices.

Mr. GRAHAM. In Hammond?

Mr. BLAKEY. Yes, sir; and that was the meeting at which the colonels representing the claims board approved the settlement.

Mr. GRAHAM. Col. McFarland—

Mr. BLAKEY (interposing). And Col. Reeves; and it was at that meeting that Col. Hughes kept this letter covered up. Col. Arison had never seen the letter; and these two colonels—Col. Reeves and Col. McFarland—had never seen it, and when they asked the question if the figures I have read off here aggregating the \$3,000,000 had been audited. Col. Hughes said "Yes; the amounts have been audited and passed by the accountants."

Mr. GRAHAM. He said that at this meeting?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. How did you get that information, Mr. Blakey?

Mr. BLAKEY. I was present at the meeting.

Mr. GRAHAM. Oh, were you there?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did anyone ask you about whether you had had anything to do with it at all?

Mr. BLAKEY. Yes, sir; Col. McFarland asked me regarding that \$480,000 and some odd dollars, in reference to the freight-car business, and I told him very plainly that it had not been audited; and apparently when I was asked the question by any of the other gentlemen, Col. Hughes would more or less butt in and try to keep me from talking. It appeared as though he did not want me to say anything.

Mr. GRAHAM. Who is this Col. Hughes?

Mr. BLAKEY. All I know is that he was a captain in the Regular Army.

Mr. GRAHAM. In the Regular Army?

Mr. BLAKEY. Yes, sir; he is now colonel.

Mr. GRAHAM. Do you know where he is located?

Mr. BLAKEY. I beg your pardon.

Mr. GRAHAM. Where is he located now?

Mr. BLAKEY. He has been in Washington for a couple of months, and I understand he is now district chief of ordnance of the Chicago district. He has succeeded Col. Arison.

Mr. GRAHAM. In this settlement as it was finally made, I wish you would tell this committee, in your judgment, what is wrong about it. Just take it item by item and tell us just what is the mat-

ter with this thing. You are an accountant, and we are just common ordinary people and do not understand those things. But if there is anything wrong about this we want to know it. [Mr. Blakey referring to paper.] Go into it pretty thoroughly so we will understand.

Mr. BLAKEY. Instead of being for \$3,000,000, it is for \$2,200,000, as I explained; \$800,000 has already been paid as profit. I have crossed the items here that should not apply in the claim [indicating].

The first one is a under 6, carrying charge during the period of nonproduction.

Mr. GRAHAM. Explain that.

Mr. BLAKEY. At \$99,000.

Mr. GRAHAM. Explain that and tell what you think about it.

Mr. BLAKEY. The first time they set it up here they tried to call it interest on their investment, and in my letter dated September 15 I explained to them that depreciation had been paid and that interest on the investment is not a proper charge to the War Department contracts. Therefore, in setting up here in this award they have eliminated the word "interest" and they say "carrying charge." There were no carrying charges during the period of nonproduction. The Government had possession of the plant 100 per cent and we paid all expenses; that is, the Government paid all expenses. Therefore, there were no carrying charges. It is an item that they simply picked out of the air and put in to build up the \$2,200,000.

Mr. GRAHAM. That carrying charge, as they call it?

Mr. BLAKEY. They called it "carrying charge," when there was no such item.

Mr. GRAHAM. How much is that?

Mr. BLAKEY. Ninety-nine thousand dollars.

Mr. JEFFERIS. In this first claim they called it "interest."

Mr. BLAKEY. They called it interest.

Mr. JEFFERIS. Why do you say, Mr. Blakey, that there ought to be no interest where depreciation is charged?

Mr. BLAKEY. Well, that is one of the rules in accounting, and interest on investment can not be considered a part of cost. If you have got \$1,000,000 invested, you can not charge 6 per cent interest on that \$1,000,000 as a part of cost.

Mr. GRAHAM. But you can charge it to depreciation?

Mr. BLAKEY. You can charge to depreciation \$1,000,000.

Mr. GRAHAM. Had they charged depreciation?

Mr. BLAKEY. Yes, sir; and we had paid all the depreciation, as my letter stated there; they had been paid depreciation on their plant investment.

Mr. GRAHAM. And so after this letter of yours was written, then they changed the form of the claim, did they?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Where did you get this claim you file now; was that some additional claim?

Mr. BLAKEY. This is the copy of the award. I got a copy of the award. When the final approval of the claims board was authorized giving them the \$2,200,000, this is a copy of the award.

Mr. GRAHAM. Of the award?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. All right, now; proceed with the next item.

Mr. BLAKEY. The second item is b, unabsorbed administrative expense. There is no such item.

Mr. GRAHAM. How much is that?

Mr. BLAKEY. \$261,251.45. I went to Butler, Pa., and audited their administrative expense, which covers their Butler office and their Pittsburgh office, and I have set up here their entire administrative expense from November, 1917, to June, 1919, inclusive, and the amount that was applicable to all Government contracts, whether it was the Hammond plant or whether it was their other plant, was \$670,869.16. After arriving at that amount, which was agreed to by their treasurer, Mr. Gillispi, we began prorating to their four plants. They have two plants at Hammond, one at Butler, and one at New Castle, Pa., and we prorated that \$670,000 to those four plants on an equitable basis.

Mr. GRAHAM. According to the business done?

Mr. BLAKEY. No, sir; according to productive labor; that is the method that is used by all accountants and agreed to by them. And in doing that the Government absorbed the figure that is mentioned here, \$109,000 of the \$670,000; and the treasurer of the company complimented me and said I had been very liberal, that that was a very liberal settlement, and they could not have asked for any more. And, as a result of that conference, we were invoiced; that is, the Government was rendered bills and we vouchered and paid to them \$109,000, which was all that they claimed.

Mr. GRAHAM. And that had been paid?

Mr. BLAKEY. That had been paid.

Mr. GRAHAM. As a part of the cost?

Mr. BLAKEY. As a part of the cost. Then they come along with this claim and say "unabsorbed administrative expense," and there is no such item.

Mr. GRAHAM. I wish you would put that table into the record now in connection with your testimony.

(The table referred to was not furnished in time for printing.)

Mr. GRAHAM. What is the next item?

Mr. BLAKEY. (c) Ten per cent profit on worked direct materials, labor, and overhead, \$656,394.05.

Mr. GRAHAM. What have you to say about that?

Mr. BLAKEY. That is an item that would require approximately 90 days to audit, and in order to audit that correctly the contractor would have to be forced to furnish records which at the present time they are holding back; they will not give the Government accountants those records, and they are doing it in order to get that amount, while we have from our own records that we have built up since I have been there—my contention is that figure should not be over \$250,000, and that is very conservative.

Mr. GRAHAM. In other words, you think there is about \$400,000?

Mr. BLAKEY. About \$406,394.05 that is allowed more than should be paid. In other words, if you take this \$656,000 and add it to the \$800,000 they had been paid it gives them \$1,456,000. Now, based on the total cost for the work in process and the carriages completed, they should have \$1,060,000. While I can verify it in that way by

taking the total cost when you go down to verify it in detail, then it would take a little longer.

Mr. GRAHAM. This is supposed to be 10 per cent profit on their work?

Mr. BLAKEY. On the work in excess of the 200 completed carriages.

Mr. GRAHAM. How do they get at that 10 per cent?

Mr. BLAKEY. They guessed at it; their claim itself shows the cost of that work as something over \$300,000.

Mr. GRAHAM. The original work?

Mr. BLAKEY. Yes, sir; that is, the labor—the labor on the material that they worked up in excess of 200 carriages is shown in their claim as something over \$300,000, and here they are trying to show it; in order to be \$656,000 it would have to be over \$6,000,000 cost. You see 10 per cent on \$6,000,000 would give them the \$600,000.

Mr. GRAHAM. Where does that showing of \$300,000 occur?

Mr. BLAKEY. It occurs in their original claim, but not in any of the papers that I have here.

Mr. GRAHAM. What is the next item there?

Mr. BLAKEY. (d) Unabsorbed cost or preparation of the plant. As I explained before—

Mr. GRAHAM (interposing). How much is that?

Mr. BLAKEY. \$60,000—as I explained before, the Government had possession of the plant 100 per cent, and we paid all the costs. Therefore there is no such item as unabsorbed cost. We have already paid it all.

Mr. GRAHAM. What is the next thing you find, Mr. Blakey?

Mr. BLAKEY. (e) Additional cost of passenger-car work done in freight shop, \$467,184.51. As a Government accountant I do not see how that applies to the war contract in any sense whatever. It was work that they did in their own plant on the other side of the fence and was not Government work and had no bearing and no relation to the Government contract.

Mr. GRAHAM. Did the Government take over their freight-car establishment?

Mr. BLAKEY. We took over their passenger-car work.

Mr. GRAHAM. And did you take their building that they used for making them?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. And they are charging now for this sum for the inconvenience or whatever it was of doing this work in the freight building?

Mr. BLAKEY. Which they claim additional cost—in other words, they claim it costs more by having to move over in the other department and produce cars over there instead of producing them where they were originally.

Mr. GRAHAM. It would occur to a person at first glance that there might possibly be something to that. If they were caused additional inconvenience or it would cost them more to produce there, unless they got paid for it in some other way.

Mr. BLAKEY. The cost of all work was much more during the war than it would have been if it had not been for the war.

Mr. GRAHAM. Exactly so.

Mr. BLAKEY. Therefore this item is out of all proportion. If they had charged \$40,000 or \$50,000, or something like that, it

would not have appeared unreasonable, and, in fact, they did only claim \$273,000, and the claims board increased it to \$484,000.

Mr. GRAHAM. Was that all in their first claim?

Mr. BLAKEY. All they had in their original claim was \$273,907.30, and the claims board increased it—I say the “claims board”—Col. Hughes increased it to \$484,325.28.

Mr. GRAHAM. Did he give any reason for it?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. Do you know whether that was done at that conference you were present at?

Mr. BLAKEY. No; it had been agreed to before that.

Mr. GRAHAM. Did these people know, when they went into this work and took this contract and fixed this profit, that they were going to have to use this other building for their ordinary business?

Mr. BLAKEY. Yes, sir; they knew; when the profit was fixed they had already agreed to give up this plant 100 per cent to the war work.

Mr. GRAHAM. And stop manufacturing cars?

Mr. BLAKEY. Yes, sir; they had moved their car manufacturing over to the other department, which was at the other side of the fence.

Mr. GRAHAM. You think, then, that they just raised this item here in order to try to take care of something else that could not be allowed?

Mr. BLAKEY. Yes, sir; in order to bring it up to the \$3,000,000—it is the only reason I can see at all.

Mr. GRAHAM. What is the next item?

Mr. BLAKEY. (f) Expense of transferring car machinery to freight shop, \$17,140.77. That has really been included in the discussion of the above item.

Mr. GRAHAM. Expense of transferring machinery?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. From where?

Mr. BLAKEY. From the Ordnance Department over to the car shop.

Mr. JEFFERIS. You say that is included in the (d) item?

Mr. BLAKEY. Yes, sir; that is, the discussion of it was, the amount, in order to make the total amount \$484,000. You see, the first figure I gave was \$467,000, plus that \$17,000 makes the total.

Mr. GRAHAM. Was there any further items there, Mr. Blakey?

Mr. BLAKEY. (g) Unabsorbed operating losses to June 30, 1919, on hotel dormitory and dormitory dining room, \$40,926.99. They built the hotel at their own expense, without the consent or without the authority from the War Department, and they operated that hotel for the benefit of the public, for the benefit of the Ordnance Department, and the benefit of their own business, and they ran it at a loss, and they had a private dining room connected with their office that they built as a club for their officials, who did not pay anything to live at that club. Of course there was a loss, because there was no income. The loss on those two places have been put into this figure of \$40,000.

Mr. GRAHAM. Just a kind of private hanging-out place for the fellows, who did not pay anything there at all?

Mr. BLAKEY. Yes, sir; and some Government officials lived there and paid the nominal sum of \$30 a month, and as an item of cost that item was not allowed, and they knew it away back in June, 1918.

Mr. GRAHAM. Was not allowed by whom?

Mr. BLAKEY. First by myself and then—

Mr. GRAHAM (interposing). They tried to get that thing through earlier in the ordinary progress of the work?

Mr. BLAKEY. Yes, sir; and they knew it was not a proper item of cost. I turned it down, and Maj. Nicholson, who was next to the head of our department, sustained my ruling that it was not a proper item of cost. If they had charged a nominal fee to their own officials in the operation of this club and treated it as though it had been a cafeteria the loss in operation would have been considered a proper item, but when they made no charge whatever, then we would not accept it as a proper charge.

Mr. GRAHAM. The Government never put a cent into that place, did it—the hotel?

Mr. BLAKEY. No, sir; we were not interested in the hotel at all.

Mr. GRAHAM. What is the next item?

Mr. BLAKEY. (h) Differences in cost and the present value of hotels, roadways, garage, etc., \$220,756.34. They built the hotel and they built some permanent improvements in front of their plant in the way of concrete roadways and garage for the use of their own officials, and now they want the Government to absorb what is a little over half of that cost, over \$220,000.

Mr. GRAHAM. Difference in cost?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. What does that mean?

Mr. BLAKEY. The difference between the cost and the present value of the hotel if they were to sell it to-day. The hotel cost something like \$350,000.

Mr. GRAHAM. A pretty elaborate hotel, is it?

Mr. BLAKEY. Yes, sir; and if you were to offer it for sale to-day in Hammond it would not be worth very much. Nobody wants it; it is away out next to their plant and on their property, and so on.

Mr. GRAHAM. Did they build it or buy it?

Mr. BLAKEY. No, sir, they built it; they built it after they got this war contract—they built it at the time thinking that the Ordnance Department was going to pay for it as housing facilities. I am of the opinion that is why they did it.

Mr. GRAHAM. Was that ever taken up with the Ordnance Department?

Mr. BLAKEY. I think it was and turned down.

Mr. GRAHAM. Are you reasonably sure about that?

Mr. BLAKEY. Yes, sir; there is some correspondence some place—I do not have it, but I know it has been discussed in the Ordnance Department, and the hotel was not allowed. They had an appropriation of over \$1,000,000 for buildings, but that was for buildings to equip their plant and not for buildings such as hotels and residences, and so on. And that item instead of being \$220,000 if they had charged depreciation on it and had prorated that depreciation between the ordnance work and the other work, we would have accepted a charge of approximately \$40,000 as depreciation.

Mr. GRAHAM. They were using this hotel for housing their employees who worked in their car shops?

Mr. BLAKEY. Yes, sir; as well as the employees who worked in the ordnance plant and also the general public—anybody who wanted to live there.

Mr. GRAHAM. They were running a regular hotel?

Mr. BLAKEY. A regular hotel.

Mr. GRAHAM. How many rooms did it have?

Mr. BLAKEY. Something over 200—I guess there is about 250 rooms.

Mr. GRAHAM. What else is there in this?

Mr. BLAKEY. The total of all of those items aggregated \$1,532,-654.11.

In the final wind-up the Government had spent \$3,800,000 for buildings, machinery, and equipment. Some of that had been shipped away to the other Government departments. So it is safe to say there were \$3,000,000 worth of buildings, machinery, and equipment left there, and that was sold back to them for \$700,000. And at the same time that was done there were other materials such as steel bars, copper, and everything imaginable in the way of material that was estimated to have cost between \$5,000,000 and \$6,000,000. The inventory had been taken item by item and verified this \$5,000,000 or \$6,000,000. We were within 5 or 10 per cent of having it completed to know exactly, and that \$5,000,000 or \$6,000,000 worth of material was sold to them for \$200,000.

Mr. GRAHAM. What kind of material was it, Mr. Blakey?

Mr. BLAKEY. Steel—mostly steel.

Mr. GRAHAM. Was it standard steel?

Mr. BLAKEY. It was bought special for the manufacture of these gun carriages.

Mr. GRAHAM. What shapes and sizes?

Mr. BLAKEY. All shapes, some of the steel plates varying in thickness; some of it is steel beams and steel bars.

Mr. GRAHAM. How much is there that could be used for ordinary commercial purposes?

Mr. BLAKEY. I would not say that there would be very much that would suit commercial purposes, because it was all cut for certain sizes and mostly manufactured especially.

In this sale there was an outside concern known as Briggs & Turvis that bid on it as a scrap proposition.

Mr. GRAHAM. Where are they from?

Mr. BLAKEY. They are located in Chicago. They bid on all of that scrap stuff 15 per cent of cost.

Mr. GRAHAM. What would that have been?

Mr. BLAKEY. That would have aggregated about \$750,000, and the Standard Steel Car Co.'s bid was 4 per cent of cost. There is a difference there. If it had been sold to Briggs & Turvis the Government would have had to have paid the loading and the rental of the plant for another, say, three months, which is \$25,000 a month, while we were getting it out. But the actual difference between what they received from the Standard and what they would have received from the other concern is \$550,000. So, allowing it would have cost \$250,000 to load it and ship it out and to pay the rental

of the plant, we still lost \$350,000 by selling it to the Standard Steel Car Co.

Mr. GRAHAM. Did you bring that matter to the attention of these people?

Mr. BLAKEY. That is a matter that was brought to Col. Hughes by another department.

Mr. GRAHAM. What department was that?

Mr. BLAKEY. Mr. Palmer, who is manager of staff—I forget his initials—but Mr. Palmer is manager of staff of the Chicago claims board; and in doing that Col. Hughes also covered up that evidence in the case. The claims board, Col. Arison, and Col. Reeves, and Col. McFarland I do not think had that information at all.

There is a Mr. Dalton who can verify that fact—J. H. Dalton—he is employed as an expert by the Chicago Claims Board.

Mr. GRAHAM. And he knows about that?

Mr. BLAKEY. And he knows about that offer from the salvage proposition.

So, adding this \$300,000 loss to the other makes a total of \$832,000 that I claim they were overpaid.

Mr. GRAHAM. Not including the tools and building which they took for a reduced value?

Mr. BLAKEY. Yes, sir; this award was signed up on September 26, and they evidently knew there was something wrong, because they followed it right here to Washington and got their check on September 30, and it happened to be on October 1 when this article was published and the military intelligence took it up and tried to stop payment, and it was too late; they had already gotten the money on the check October 1.

Mr. GRAHAM. Does the military intelligence have that in hand now?

Mr. BLAKEY. Yes, sir; the military intelligence are investigating the articles in the paper, and also the statements I made to them in Chicago before I left there.

Mr. GRAHAM. Who was at the head of this military intelligence?

Mr. BLAKEY. Gen. Churchill here in Washington, but Capt. Wolfe and Capt. Metcalfe, they are the two who are handling this case.

Mr. GRAHAM. Now, Mr. Blakey, have you any interest in this matter?

Mr. BLAKEY. Nothing except as a citizen of this country.

Mr. GRAHAM. This attracted your attention and you thought it ought to be known?

Mr. BLAKEY. Yes, sir; I was in a position, you might say, of a confidential employee of the Government, and I knew the facts of the case better than any other man connected at the plant, and when it was put over the way it was I am sacrificing my position in order to try to bring it to somebody's attention.

Mr. GRAHAM. You know very well that your position will not last long?

Mr. BLAKEY. I know that; in fact, I do not intend to go back to give them the pleasure of firing me.

Mr. GARRETT. Why?

Mr. BLAKEY. I know that right away they would prefer charges against me for giving that article to the paper.

Mr. GARRETT. Who is responsible for your employment?

Mr. BLAKEY. The Civil Service Commission, but the War Department would not approve of my action in giving the article to the paper, I am sure of that.

Mr. GARRETT. They would insist——

Mr. BLAKEY (interposing). That I should have gone to the head of our own department, which I did, but I did not get any action, so I took the matter in my own hands and tried to bring it to the public's attention in that way.

Mr. GARRETT. Who is this Col. Hughes?

Mr. BLAKEY. Col. E. S. Hughes.

Mr. GARRETT. Are you personally acquainted with him?

Mr. BLAKEY. No, sir; I never met him until August, I guess it was.

Mr. GARRETT. Of this year?

Mr. BLAKEY. Yes, sir; 1919.

Mr. GARRETT. He is a member of the Chicago Claims Board?

Mr. BLAKEY. It appears as though he was sent there as a special representative from Washington to act in and cooperate with the Chicago claims board and settle this particular claim.

Mr. GARRETT. I was away from my chair here just a moment, and I did not get that. Was your letter addressed to him?

Mr. BLAKEY. No, sir; it was addressed to the claims board, and he kept the letter and does not give it to the chairman of the claims board. In other words, my contention——

Mr. GARRETT (interposing). How did you learn that fact?

Mr. BLAKEY. I learned that from the chairman of the Claims Board himself, and I asked him——

Mr. GARRETT. After this?

Mr. BLAKEY. It was the same day that this settlement was in process of being approved, I asked Col. Arison, "Did you get the letter I wrote?" And he said, "No." And I said, "That is funny." Then I asked Col. Hughes, and he said, "Why, you did not write me a letter." I said, "I did, and I gave it to Mr. Miller, and Mr. Miller gave it to you," and he denied it. He said he did not get any letter. I said, "Wait a minute, and I will get Mr. Millier up here and find out," and while doing that he goes into his office and digs up the letter, and he admits he had the letter. But Col. Arison never saw it and Col. Arison admits he never saw the letter.

Mr. GARRETT. That was at the conference at which this settlement was being negotiated?

Mr. BLAKEY. Yes, sir. But, unfortunately, all these arguments between ourselves was in another room; Col. Reeves and Col. McFarland did not hear these arguments.

Mr. GARRETT. Was there no way it could have been gotten to their attention?

Mr. BLAKEY. They did not want me to get it to their attention.

Mr. GARRETT. Col. Hughes?

Mr. BLAKEY. Yes, sir.

Mr. GARRETT. What about Arison?

Mr. BLAKEY. The same way. They said it was too late, they had already approved it; and the point that I make was that Col. Hughes held this information from Col. Reeves and from Col. McFarland, and he also withheld the other information from them regarding the salvage offer. They sold that material for \$200,000 because

they thought that was all they could get for it, and, as a matter of fact, Col. Hughes had a letter which stated very plainly that it could be sold for over \$700,000.

Mr. GARRETT. How did you learn that fact?

Mr. BLAKEY. I learned that through a Lieut. Regan. He is not a lieutenant now; he is out of the service. But he is working for Briggs & Turvis—Charles A. Regan, it is.

Mr. GRAHAM. In Chicago?

Mr. BLAKEY. Yes, sir. He was a friend of mine, and when they bid on this material and did not get it he came to me to find out why, and then he told me about their bid.

Mr. GARRETT. Have you been right at the Hammond plant all the time?

Mr. BLAKEY. Yes, sir; since April, 1918. I am assistant supervisor of the Chicago district, but I have been right at the Hammond plant every day, except probably a few days at a time.

Mr. GARRETT. Is this man Arison a member of that Chicago claims board?

Mr. BLAKEY. He is now chairman of the Chicago claims board, and succeeded Mr. E. A. Russell, who was chairman.

Mr. GARRETT. Was that the same Russell?

Mr. BLAKEY. No; Col. Hughes has now succeeded Col. Arison as chairman of the Chicago claims board.

Mr. GRAHAM. Col. Hughes?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. This same chap is now chairman of that board?

Mr. BLAKEY. Yes, sir.

Mr. GARRETT. Do you know how they got this board from Washington to go out there?

Mr. BLAKEY. Yes, sir; Col. Hughes and Mr. Cory, the Standard Steel Car Co. official, came to Washington and picked out the ones they wanted to go, and took them right back with them, and the whole thing was cut and dried and railroaded—just ready to railroad through the afternoon it was put through, and Col. Hughes stated to these gentlemen in that conference that these items had all been audited and passed by the accountants. As a matter of fact, they had not been audited at all. All he had was a letter in which we took exception to so many—

Mr. GARRETT. What letter?

Mr. BLAKEY. The latter that is dated September 15, addressed to the claims board.

Mr. GARRETT. Do you mean he had your letter of September 15?

Mr. BLAKEY. Yes, sir.

Mr. GARRETT. That is all he had?

Mr. BLAKEY. Yes, sir; he had no audit at all approving the amount.

Mr. GARRETT. Was there any one associated with you in this audit out there?

Mr. BLAKEY. Oh, yes; I had a force of about 15 men at the plant.

Mr. GARRETT. You spoke of those gentlemen coming on here, Russell and Cory?

Mr. BLAKEY. Col. Hughes and Cory.

Mr. GARRETT. I mean Col. Hughes and Cory, and picking out the men they wanted to go out there.

Mr. BLAKEY. That is the way it appears. They came back with those other two colonels; and then it is very plain that Col. Hughes withheld this information from them. They did not have the facts before them when they gave their approval.

Mr. JEFFERIS. Who were these two men who went back?

Mr. BLAKEY. Col. McFarland, as a representative of the Ordnance Department claims board, and Col. Reeves is a representative of the War Department claims board.

Mr. GARRETT. That is the highest board, the War Department claims board?

Mr. BLAKEY. Yes, sir; those two claims board, they are supposed to review what the Chicago claims board does.

Mr. GARRETT. The reason I asked you if there was any significance to be attached to your statement that they picked out the men they wanted, was because of the fact that you had explained to the committee that the information which was in Hughes's hands really never did reach them.

Mr. BLAKEY. No, sir; it did not, in fact it never reached the chairman of the Chicago claims board.

Mr. GARRETT. The Chicago claims board never did agree to pass on this, or did it?

Mr. BLAKEY. Yes. Col. Arison signed it. It appears as though he did so at Col. Hughes's request.

Mr. GARRETT. You do not know whether the full board ever passed on it or not; you do not know how that was?

Mr. BLAKEY. No, sir.

Mr. GARRETT. What I am trying to get at is, is there any reason to attach any blame to McFarland and Reeves?

Mr. BLAKEY. None that I can see, except that they were not familiar with the facts and Col. Hughes picked them and got them to approve it without submitting all the evidence to them.

Mr. GARRETT. Do you know whether it has been usual for members of these claims boards here in Washington to leave Washington and go out?

Mr. BLAKEY. That is the first case I have heard of; this particular claim is the first one I have heard of.

Mr. JEFFERIS. Who are the leading men of this Standard Steel Car Co.?

Mr. BLAKEY. Mr. John M. Hansen is president, and, as I understand, it is backed by the Mellon's, the bankers in Pittsburgh, and the Mellon-Stewart Construction Co. is interested.

Mr. JEFFERIS. Who was this man Cory that you say went back to Washington?

Mr. BLAKEY. All I know about Cory is that he was employed all during the war and had an office here in Washington and we called him their "political representative" here in Washington.

Mr. JEFFERIS. Where does he live?

Mr. BLAKEY. I do not know where his home is.

Mr. JEFFERIS. What is his first name?

Mr. BLAKEY. His initials I have here—W. G. Cory.

Mr. JEFFERIS. As I understand it, this man Cory left Hammond and came to Washington together?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. How long had Cory been out there before he and Hughes went back?

Mr. BLAKEY. He has been around Hammond now since the 1st of July. He spent most of his time there in conferences with Col. Hughes and the other Chicago officials, trying to get this claim through.

Mr. JEFFERIS. Does he hold any office with this Standard Steel Car Co.?

Mr. BLAKEY. Yes, sir; his title is assistant to the president.

Mr. JEFFERIS. How long had Hughes been out there before he and Cory went back to Washington?

Mr. BLAKEY. He has been there since about the 1st of July.

Mr. JEFFERIS. Do you know who sent him out there?

Mr. BLAKEY. No, sir; Col. Hughes is the Ordnance Department official and originally negotiated the contract, I think, because I have seen correspondence with his name on it as E. S. Hughes. He was a major then in connection with this contract.

Mr. JEFFERIS. You think he is the fellow that represented the Government when the contract was entered into?

Mr. BLAKEY. Yes, sir; and he is the man who agreed to give them \$4,000 for carriage profit when the Ordnance officials could not see that they should have more than \$3,000 or \$3,500 at the outside. He raised his bid from \$3,500 to \$4,000 over their protest.

Mr. JEFFERIS. That is, over the protest of the Ordnance Department?

Mr. BLAKEY. Ordnance Department officials, who were Mr. J. S. Church and J. A. Vail.

Mr. JEFFERIS. Vail and Church did not want to allow this Standard Steel Car Co. a profit to exceed \$3,500 for carriage?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. And then Mr. Hughes insisted on letting them have \$4,000?

Mr. BLAKEY. Raised it to \$4,000 at one bid.

Mr. JEFFERIS. Of profit?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. Do you know where Hughes is from?

Mr. BLAKEY. No, sir; I do not know anything about him at all.

Mr. JEFFERIS. You do not know what his business was?

Mr. BLAKEY. He was a captain in the Army; that is all I know about him; he is a young man, between 30 and 35, I should say.

Mr. GARRETT. Where is he now?

Mr. BLAKEY. Col. Hughes?

Mr. GARRETT. Yes.

Mr. BLAKEY. He is in Chicago; I think he is chairman of the Chicago claims board, now, succeeding Col. Arison, who was supposed to get out on October 7.

Mr. JEFFERIS. Where does Col. Arison live?

Mr. BLAKEY. His home is in Chicago, I think.

Mr. JEFFERIS. Do you know for whom this company was making cars during the war?

Mr. BLAKEY. No, sir; I do not know for whom they had the orders, but I know that shortly after they had been making a lot for the railroad administration.

Mr. GARRETT. They are making cars for the Railroad Administration, are they?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. How much is this company capitalized for?

Mr. BLAKEY. They are incorporated for only \$4,000,000, but they have assets of approximately \$40,000,000. They own either 9 or 13, I do not remember which, subsidiary companies, or they own the controlling interest in that number of subsidiary companies.

Mr. JEFFERIS. And their business has been making cars, has it?

Mr. BLAKEY. Yes, sir; freight cars and passenger cars, but mostly freight cars.

Mr. JEFFERIS. Do you know of any reason why this particular contract was not signed, the one dated November 16, 1917?

Mr. BLAKEY. One of the reasons that I know of was they were trying to claim a profit on increased facilities where the Government has spent approximately \$4,000,000 for buildings, machinery, and equipment, they were trying to get it incorporated in another contract that they would get 10 per cent profit on that and the cost-accounting branch protested against that, that it was contrary to the original procurement order. The procurement order said they would not be paid a profit on increased facilities, and therefore we objected to this profit on increased facilities, because the contract did not have that included in it and they would not sign it. That was one of the reasons I know of.

Mr. JEFFERIS. Who told you that?

Mr. BLAKEY. That was verbal, between Cory and some of the officials of the cost-accounting branch here in Washington.

Mr. JEFFERIS. Cory was the representative down here at Washington, was he?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. Do you happen to have a copy of their original order?

Mr. BLAKEY. No, sir; I do not have it.

Mr. GRAHAM. I have one here, Mr. Jefferis, if you want it in the record, and I think it should go in.

Mr. JEFFERIS. I think it might go in.

Mr. BLAKEY. You probably have the whole contract.

Mr. GRAHAM. Let the copy go in at this point.

(The copy of contract referred to will be printed in a later edition of these hearings.)

Mr. BLAKEY. Do you have a copy of the original procurement order? It only consisted of five or six pages?

Mr. GRAHAM. Yes, sir; we have it here; I assume it is correct. It is very informal. It is signed "C. F. J. H. R. F. A., lieutenant colonel, Ordnance Department."

Mr. JEFFERIS. Do I understand you to say, Mr. Blakey, that when Cory, Hughes, McFarland, and Reeves came back from Washington to Hammond that they had already agreed on what this settlement was to be?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. And they were to be awarded, as I understood it—the company was to be awarded \$2,200,000?

Mr. BLAKEY. Yes, sir; or really \$3,000,000, because the contract for \$800,000 had never been signed, and therefore they had to make

the award for the whole \$3,000,000, and the \$800,000 was vouchered and put through, and that is the reason why that was not included in the award, so they drew the award then for \$2,200,000.

Mr. JEFFERIS. Then they got \$800,000, as you understand, profit?

Mr. BLAKEY. Yes, sir; in addition to this award of \$2,200,000.

Mr. JEFFERIS. And in addition to purchasing this material at the figures you have given?

Mr. BLAKEY. Yes, sir.

Mr. JEFFERIS. And likewise purchasing the—

Mr. BLAKEY (interposing). Buildings and machinery.

Mr. JEFFERIS. Buildings and machinery that cost \$2,200,000?

Mr. BLAKEY. Yes, sir. There is one point we have not covered.

Mr. GRAHAM. Before you go any further, and if Mr. Jefferis is done, I want to put something in the record here. I can not find in this award that is given here in the file that has been furnished by the War Department any itemization at all.

Mr. BLAKEY. They probably did not itemize it.

Mr. GRAHAM. Where did you get this itemization?

Mr. BLAKEY. I got it from Mr. Jenks, of the Standard Steel Car Co.

Mr. GRAHAM. Do you know whether they had that at Chicago at that meeting?

Mr. BLAKEY. I would think they did, because here is the whole thing as handed to us, and it is approved by Col. Arison, of the Chicago claims board. Here is a copy of what you have, and that is a continuation of the approval by Col. Arison.

Mr. GRAHAM. Do you have with you a copy of the award this company filed at Chicago with the Chicago district ordnance department?

Mr. BLAKEY. Yes, sir; I have that.

Mr. GRAHAM. I wish you would hand that to the reporter and have him insert it now in connection with your testimony.

Mr. BLAKEY. Yes, sir.

(The copy of the award referred to, submitted by Mr. Blakey, is here printed in full, as follows:)

[Statutory award Form 1. Claim No. O-BC 552. War-Ord. No. CF 331.]

AWARD OF SECRETARY OF WAR UNDER THE ACT OF CONGRESS ENTITLED "AN ACT TO PROVIDE RELIEF IN CASES OF CONTRACTS CONNECTED WITH THE PROSECUTION OF THE WAR, AND FOR OTHER PURPOSES" (APPROVED MAR. 2, 1919).

1. It appearing to the satisfaction of the Secretary of War that an agreement was entered into in good faith between Standard Steel Car Co., the claimant, and J. H. Rice, lieutenant colonel, and George R. Nichols, major, Ordnance Department, United States Army, officers or agents acting under the authority, direction, or instruction of the Secretary of War, on or about the 16th day of November, 1917, during the emergency arising from the declaration of war with the German Empire and prior to November 12, 1918; that the agreement had been performed in whole or in part, or expenditures had been made or obligations incurred by the claimant on the faith of such agreement, prior to November 12, 1918; that the agreement has not been executed in the manner prescribed by law; that the said agreement is within the provisions of the above-entitled act of Congress; that the nature, terms, and conditions of said agreement are set out in Form C, certificate of the claims board of the Ordnance Department, No. O-BC 552, dated August 5, 1919, on file in the War Department; that the claimant presented his claim to the Secretary of War before June 30, 1919; that there have heretofore been delivered by the claimant and accepted by the United States under the said agreement increased facilities and 200 completed ar-

riages and 63 carloads of miscellaneous parts for carriages of the fair aggregate value of \$18,000,000; that the said sum of \$18,000,000 paid or to be paid for said articles, work, facilities, or performance heretofore delivered and accepted, together with the additional sum of \$2,200,000, will adjust, pay, and discharge such agreement upon a fair and equitable basis, and that such sum does not include prospective or possible profits on any part of the agreement beyond the goods and supplies delivered to and accepted by the United States thereunder and a reasonable remuneration for expenditures and obligations or liabilities necessarily incurred in performing or preparing to perform said agreement.

2. The Secretary of War hereby awards to said claimant the sum of \$2,200,000, which sum, in conjunction with the payments hereinabove mentioned, made or to be made for the articles, work, or facilities heretofore delivered and accepted, shall be in full adjustment, payment, and discharge of said agreement.

3. From the said sum of \$2,200,000 shall be deducted the amount of \$900,000, and in lieu thereof the Secretary of War hereby awards to the claimant the property listed on Schedule B, hereto attached, and this award shall operate to vest title to such property in the claimant. The United States shall have the right of requisition from said property on hand and not sold at the time of requisition for spares for the Watertown Arsenal, but there shall be no obligation on the part of the claimant to hold any of said property in anticipation of such requisition. The United States shall load such material so requisitioned at its own expense, and for the purpose of such loading shall have free access to the place where such property is located, and in no case shall the United States be charged rental or storage for any property requisitioned or to be requisitioned. No title to property passes to the United States by virtue of Schedule A.

4. The claimant has presented satisfactory evidence that all the subcontractors have consented to look for compensation to the claimant only. Each subcontractor shall be paid by the claimant for all property shipped or hereafter shipped upon certified invoice showing checking and accounting made by Inspection Department, United States Army, and without further certification.

Recommended by: Chicago Ordnance District Claims Board, by E. E. Arison, colonel, Ordnance, United States Army (member).

Approved by: The claims board of the Ordnance Department, by Earl McFarland, colonel, Ordnance Department (member). Dated ———, Washington, D. C.

Made and approved by authority of the Secretary of War: War Department Claims Board by Ira L. Reeves, colonel, Infantry (member). Dated September 26, 1919, Washington, D. C.

Accepted: Standard Steel Car Co. (claimant), by W. G. Cory. Dated September 26, 1919.

(Corporate seal.)

Contractor: Standard Steel Car Co., War Order No. C. F. 331. Address: Hammond, Ind.

SCHEDULE A.

Attached to and a part of a certain contract between the United States and the contractor, dated September 26, 1919, showing property the title to which is to pass from the contractor to the United States as a consideration of the settlement contract, arising out of or incident to above war order. None.

Contractor: Standard Steel Car Co., War Order No. C. F. 331. Address: Hammond, Ind.

SCHEDULE B.

Attached to and a part of a certain contract between the United States and the contractor, dated September 26, 1919, showing property the title to which is to pass from the United States to the contractor as a consideration of the settlement contract arising out of or incident to the above war order:

All facilities, including buildings and structures and all machinery, equipment, direct material, raw material, indirect material, and material in process, and all property of whatsoever nature involved in said contract No. C. F. 331 and not already delivered to or requisitioned by the United States on this date, September 26, 1919.

Mr. GRAHAM. Do you also have a copy of the award that was afterwards entered by the district board in Washington?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Let that go into the record also.

(The document referred to is here printed in full, as follows:)

MATTER OF SETTLEMENT OF CLAIM OF STANDARD STEEL CAR CO., CONTRACTOR.
[Ordnance Department award. Chicago District Claim Board. Dated Sept. 26, 1919.]

On reading and considering the verified statement of claim and supporting accounts and papers of the above-named contractor submitted herein, dated —, the verified staff report, herein dated, found:

1. The United States shall forthwith pay to the contractor the sum of \$1,300,000, made up as follows:

Line No.		Amount.
ALLOWANCES.		
1	Unworked direct materials.....	(¹)
2	Indirect materials.....	(¹)
3	Worked direct materials.....	(¹)
4	Direct labor and overhead expense.....	(¹)
5	Commitments for materials or services.....	\$121,585.57
6	Claims for other compensation:	
	(a) Carrying charge during period nonproduction.....	\$90,000.00
	(b) Unabsorbed administrative expense.....	261,251.45
	(c) 10 per cent profit on worked direct materials, labor, and overhead.....	656,394.05
	(d) Unabsorbed cost of preparation of plant.....	60,000.00
	(e) Additional cost of passenger car work done in freight shop.....	467,184.51
	(f) Expense of transferring car machinery to freight shop.....	17,140.77
	(g) Unabsorbed operating losses to June 30, 1919, on hotel dormitory dining room.....	40,926.99
	(h) Difference in cost and present value of hotel roadways, garage, etc., less amortization at 20 per cent.....	220,756.34
	(i) Returning plant to prewar conditions.....	90,000.00
	(j) Plant occupancy since suspension.....	100,000.00
	(k) Sums expended on United States buildings.....	65,760.32
	Total of contractor's claim.....	2,078,414.43
		2,200,000.00
DEDUCTIONS.		
1	Claims of the United States against the contractor arising out of or incident to the prime contract or for loans in connection therewith.....	(¹)
2	Amount due to the United States, being the fair value of property transferred to the contractor in this settlement.....	900,000.00
3	Scrap if retained by contractor from worked materials.....	(¹)
4	Allowance to the United States for fair value of property retained by contractor in this settlement (sometimes called salvage value).....	(¹)
	Total deductions.....	900,000.00
	Balance due contractor.....	1,300,000.00

¹ None.

2. Delays in delivery of performance under the contract to which this award relates have been carefully investigated, and it is found that they were not due to the fault of the contractor, have resulted in no damage to the United States, and no deductions should be made from the contractor's compensation because of such delays.

3. No members of this district claims board have an interest in this contractor and took no part whatever in the settlement or determination of this claim.

4. The settlement, in accordance with the foregoing findings, subject, however, to the approval of the ordnance claims board, shall be in full satisfaction of any and all claims or demands in law or in equity which the contractor, its successors, representatives, agents, or assigns, has or may have growing out of or incident to the contract herein above mentioned, and such settlement shall constitute a complete termination of every question or claim, legal or equitable, liquidated or unliquidated, pertaining to or growing out of said contract, except that all articles of work delivered and accepted heretofore under and in pursuance of the original contract and not yet paid for shall be paid for in accordance with the provisions of said original contract.

5. We, the Chicago district ordnance claims board, have verified and caused to be verified to our satisfaction the contractor's statement of fact as to expenditures made, commitments outstanding, materials on hand, or other items

charged, and do hereby certify that to the extent that the same were allowed by us in the settlement as hereinabove stated in detail, such items were verified to our satisfaction. There are no known claims of the United States against the contractor arising out of or incident to the original contract which are not covered in reaching the foregoing determination.

CHICAGO DISTRICT ORDNANCE CLAIMS BOARD,
By E. E. ARISON,
Colonel, Ordnance, United States Army, Chairman.

We will accept the conclusion and amount stated in the foregoing award.

STANDARD STEEL CAR CO.,
By W. G. CORY, *Contractor.*

Mr. GRAHAM. The committee will now adjourn until 10.30 o'clock to-morrow morning.

(Thereupon, at 6.30 o'clock p. m., the committee adjourned to meet to-morrow, Saturday, October 11, 1919, at 10.30 o'clock a. m.)

**SUBCOMMITTEE No. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
*Saturday, October 11, 1919.***

The committee met at 11 o'clock a. m., pursuant to adjournment of yesterday, Hon. William J. Graham (chairman) presiding.
Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF LIEUT. COL. ODUS C. HORNEY, LIEUTENANT
COLONEL, ORDNANCE DEPARTMENT.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name?

Col. HORNEY. Odus C. Horney.

Mr. GRAHAM. You are a lieutenant colonel in the Ordnance Department?

Col. HORNEY. Yes, sir; lieutenant colonel in the Ordnance Department.

Mr. GRAHAM. Where are you located, Colonel?

Col. HORNEY. At Nashville, Tenn., in command of the Old Hickory Powder Plant.

Mr. GRAHAM. How long have you been there?

Col. HORNEY. Since early in March, last.

Mr. GRAHAM. Prior to that where were you serving?

Col. HORNEY. Immediately prior to that I was abroad; for only three months, however; and prior to that I was on duty in Washington.

Mr. GRAHAM. Are you a Regular Army officer?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. When you went to Old Hickory to what degree was the plant completed?

Col. HORNEY. I should say about 85 per cent to 90 per cent. It would be difficult to give a very exact figure, but I would describe it in general terms which will give you a clear idea on that. The plant is divided into nine units; seven of those units were practically finished; six had been put in operation, and the seventh was practically finished; and the eighth and ninth were in process of construction; that is, on the powder plant proper. There were 15 sulphuric acid units, 13 of which were practically finished, and 2 were in process. There were 7 nitric acid units, as I recall, 5 of which were finished, and 2 in process; 1 was nearly finished and the other only fairly started. So that you see there was about seven-ninths of the plant proper had been practically completed, and then a considerable amount of work had been done on the remaining two units.

Mr. GRAHAM. Well, has anything further been done on the remaining two units?

Col HORNEY. Not since the armistice.

Mr. GRAHAM. What shape were they in; you have described the degree to which they were started or completed, but what was their condition; were the buildings finished; was the machinery installed?

Col. HORNEY. On the seven units I have described—

Mr. GRAHAM (interposing). Well, I am speaking of the two that were partially finished.

Col. HORNEY. Part of the buildings were finished, and part of them only started, and taking the sulphuric acid units for example, the framework of the buildings was up with some of the machinery already in place, the heavy tanks and sulphur burners and things of that sort. Down throughout the powder plant the two nitrating houses and units, the framework only was up. In the cotton purification portion there were to be seven and one-half units; that is, seven full-sized units and a half-sized unit; four of those were completed, and the fifth one was practically completed; as the building was completed and the machinery partially installed and all on hand. In the half unit the framework was up and the machinery on hand but none installed; oh, perhaps some few tanks.

Mr. GRAHAM. Now, in the two units not finished is the machinery protected from the weather?

Col. HORNEY. Some of it; there is considerable quantity of materials scattered all over the place.

Mr. GRAHAM. I am speaking of the powder line; the buildings and the various steps in the processes; is the machinery protected by the present state of the improvements of those two additional units that were partially completed, or will there be additional work required to house the machinery?

Col. HORNEY. The plan is to dispose of all the uninstalled machinery and equipment.

Mr. GRAHAM. Is that true of the machinery and equipment contained in the two uncompleted units?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. You have a plant then, of seven units?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Have you taken any steps toward that?

Col. HORNEY. Yes; we are working on it constantly.

Mr. GRAHAM. Tearing it down?

Col. HORNEY. No, sir; not torn down. Our steps have been to dispose of the material most likely to deteriorate. I have made an effort to first dispose of the food products, quantities of which were on hand.

Mr. GRAHAM. When did you close down that plant?

Col. HORNEY. The last powder was completed about the 1st of April, I should think. There was no more material put into the plant after the armistice, but the material that was in process was run through the process and completed.

Mr. GRAHAM. Do you have a water-drying process there?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Well, how many pounds of powder did you make there?

Col. HORNEY. About 30,000,000 pounds, to be used.

Mr. GRAHAM. And where is it?

Col. HORNEY. Stored there at the plant.

Mr. GRAHAM. All of it?

Col. HORNEY. Practically all of it, if not all of it.

Mr. GRAHAM. Was it cannon powder?

Col. HORNEY. All cannon powder; yes, sir.

Mr. GRAHAM. And for what particular caliber of cannon?

Col. HORNEY. Seventy-five millimeter.

Mr. GRAHAM. Do you have storehouses there to keep it in?

Col. HORNEY. Yes; there are about 40 magazines proper, and a large number of buildings that were designed for manufacturing purposes are also being used for storage.

Mr. GRAHAM. What do you mean; dry houses?

Col. HORNEY. Solvent recovery houses, and dry houses.

Mr. GRAHAM. Did you tear the bins out of them?

Col. HORNEY. No, sir; the solvent recovery houses have been left just as they were. We using a movable car system, so the cars were taken out.

Mr. GRAHAM. Did you have to change in the interior of the buildings to store?

Col. HORNEY. We have not; no, sir.

Mr. GRAHAM. Now, has any ordnance materials been shipped into your place for storage?

Col. HORNEY. Only powder.

Mr. GRAHAM. Has powder come in there for storage?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Where from, if you know?

Col. HORNEY. From the other powder places, the Aetna and the Hercules.

Mr. GRAHAM. Do you know how much?

Col. HORNEY. Between 85,000,000 and 100,000,000 pounds are stored there now.

Mr. GRAHAM. That would be——

Col. HORNEY (interposing). Something over 50,000,000 have been shipped.

Mr. GRAHAM. More than you had?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Is that cannon powder also?

Col. HORNEY. Yes, sir. There may be small quantities of small arms.

Mr. GRAHAM. There may be some small arms?

Col. HORNEY. There may be small quantities of small-arms powder, but a small amount.

Mr. GRAHAM. Nothing else has been shipped in?

Col. HORNEY. No, sir.

Mr. GRAHAM. What have you done with the machinery in those two units that you have tried to dispose of?

Col. HORNEY. I have not done anything with that machinery except to try to protect it from the elements where it was exposed.

Mr. GRAHAM. I thought you said you tried to dispose of it?

Col. HORNEY. My first efforts were to dispose of that material most likely to deteriorate. The first thing I took hold of was the commissary supplies and foodstuffs.

Mr. GRAHAM. Did you find a large amount of that?

Col. HORNEY. About \$400,000 worth of groceries and about \$200,000 worth of cigars, tobacco, and cigarettes, and about \$250,000 worth of other miscellaneous commissary supplies, such as would ordinarily be kept in an ordinary store for sale in a community.

Mr. GRAHAM. All of which belonged to the Government?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Well, were you running a Government store down there, or more than one Government store?

Col. HORNEY. Yes; they had a number of stores where they sold those supplies to the inhabitants or the employees of the plant.

Mr. GRAHAM. Did the Government use its soldiers or employees to run those stores?

Col. HORNEY. No, sir; this was done by the du Pont Engineering Co. in the operation of the plant.

Mr. GRAHAM. But the Government furnished the supplies?

Col. HORNEY. The Du Pont Co. did all the purchasing, of course, with Government money, but the Du Pont Co. operated the plant as a whole as a contractor.

Mr. GRAHAM. They did it on a certain per cent then, or for a certain compensation?

Col. HORNEY. Yes; my understanding is they got no compensation for the erection of the plant but \$1, but were paid a profit of $3\frac{1}{2}$ cents, if I remember rightly, per pound of powder produced, with the condition that if they reduced the cost below a certain base price, which, as I recollect, was $44\frac{1}{2}$ cents, they were to get half of the saving.

Mr. GRAHAM. But the Du Pont employees that ran these various places were, I suppose, counted in as a part of the cost?

Col. HORNEY. Part of the cost, yes.

Col. GRAHAM. And then when the stores closed—by the way, when did they close?

Col. HORNEY. I took the plant over on midnight of April 17, and the commissaries or ordinary retail store houses were operated—have been since that time—been operated by the Y. M. C. A. organization; and I have sold to the Y. M. C. A. at cost for retail such as they wanted. They have bought certain quantities of the stores from the Government, but I think they bought a large quantity of materials outside. They find the prices over here higher than the prices paid now. There is a hotel there which the Y. M. C. A. also operate. They operate two Y. M. C. A. buildings for the plant and a colored Y. M. C. A. building.

Mr. GRAHAM. Do they operate any clubs there?

Col. HORNEY. The Y. M. C. A. buildings take the place of clubs.

Mr. GRAHAM. You have three of those Y. M. C. A. buildings?

Col. HORNEY. Two white—

Mr. GRAHAM (interposing). Two white and one colored?

Col. HORNEY. Yes; and one colored.

Mr. GRAHAM. Well, when you took possession of the plant, how many employees were working there altogether, approximately?

Col. HORNEY. About 2,500, I should estimate; I do not recall the exact number.

Mr. GRAHAM. Now, from that time to the present, do you have memorandum of the weekly pay rolls?

Col. HORNEY. I haven't it with me. I could prepare it and give it to you.

Mr. GRAHAM. Well, could you tell from memory?

Col. HORNEY. The pay roll at the present time is about \$125,000 a month; it has been running not far from that for the last three months, I should say.

Mr. GRAHAM. How many employees have you?

Col. HORNEY. Something over 1,200.

Mr. GRAHAM. What do they consist of?

Col. HORNEY. They are clerks in the office; the operatives of the power plant and the repair shops, and storekeepers; men engaged on salvage operations, shifting and operating the switching yards, and railway operations.

Mr. GRAHAM. Do you have any police there?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. How many?

Col. HORNEY. One hundred and one.

Mr. GRAHAM. About what do they receive per man per month?

Col. HORNEY. The policemen, or guards as we call them, receive \$110 per month. The chief of police receives \$2,400, I believe, a year; it is either \$2,200 or \$2,400.

Mr. GRAHAM. Have you a fire department?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. How many men have you on that?

Col. HORNEY. Forty-six or forty-seven.

Mr. GRAHAM. What do they receive?

Col. HORNEY. About the same as policemen.

Mr. GRAHAM. Now, you are doing nothing there now, I presume, excepting guarding the plant?

Col. HORNEY. Doing no manufacturing, but putting the plant in a stand-by condition and salvaging the surplus material.

Mr. GRAHAM. Well, how much surplus is there there, aside from the food?

Col. HORNEY. It would be very difficult to give you exact figures, because there is so much of it?

Mr. GRAHAM. Have you an invoice?

Col. HORNEY. I had an inventory prepared; I think it occupies about 96 large volumes.

Mr. GRAHAM. Yes; I don't doubt it; we have the one from Nitro, and that is quite extensive. Have you an extra copy of that inventory at your office at home?

Col. HORNEY. No, sir; I have not. There was only the one that the du Pont people took and the one I kept myself.

Mr. GRAHAM. Is it printed?

Col. HORNEY. That inventory was made in this way: In order to do it in any reasonable time it was necessary to divide the plant in areas and put several gangs of counters out in the areas, and those area sheets are brought in and consolidated, and it is not completed yet. I am listing it and sending it to Washington for sale.

Mr. GRAHAM. How soon will you get that work done?

Col. HORNEY. The last of it will be done in the next two or three months. I should say—that is, the listing of it. The sale of it is going to be a long process. I should estimate there is between \$12,000,000 and \$15,000,000 worth of property to be disposed of.

Mr. GRAHAM. What does it consist of, generally?

Col. HORNEY. About 1,000,000 feet of lumber and about \$1,000,000 worth of commissary supplies, including the three classes.

Mr. GRAHAM. Has the food been sold?

Col. HORNEY. The food has been sold, all but about twenty thousand-odd dollars' worth, on which I received no bids.

Mr. GRAHAM. Who did you sell it to?

Col. HORNEY. To people all over the country, I believe, as far East as Virginia and as far West as Nebraska.

Mr. GRAHAM. Do you mean dealers?

Col. HORNEY. Dealers and jobbers. I catalogued the supplies and divided each kind of material into lots; where there were large quantities of any kind I divided it into lots, so that small dealers could bid. I tried to make it so that a dealer of moderate capital, who could not afford to buy any large quantity of any one item, could buy a pretty good bill of mixed material. By that means I succeeded in getting between 67 per cent and 68 per cent of the original cost of the foods, although they were bought at high prices, and they were packed, many of them, in containers that were large and not easy to dispose of. I got between 85 and 90 per cent of the original cost of the tobacco and cigarettes and cigars.

Mr. GRAHAM. Why did you have such a large supply of that there; \$200,000 worth?

Col. HORNEY. I do not believe that that was a very large supply, considering the consumption as it has been described to me out there. It was probably not over six weeks' supply at the rate they were selling at the time they were operating full blast; that is what I am informed.

Mr. GRAHAM. Do you remember some of the large buyers of this foodstuff?

Col. HORNEY. One name comes to me—H. Gilbert & Co.—I could give you a complete list of it. I had 74 bids, if I remember rightly.

Mr. GRAHAM. How did you get those bids; I am curious to know how you went about it?

Col. HORNEY. I prepared a rough mimeographed list of what I had for sale and sent copies of that to all of the large dealers, department stores, and jobbers of groceries that I could hear of in all the large cities—New York, Philadelphia, Boston, Chicago, Cincinnati, St. Louis, Memphis—telling them I had these stores of that general character and telling them I expected to offer it for sale at an early date. I did that with the idea of giving them advance information so that prospective purchasers might be looking out for a way to dispose of the stuff. I then later on prepared a catalogue of this stuff, as I told you before, divided into comparatively small lots. I employed a broker in Nashville who was represented to me as being a man of incorruptible business standards and he seemed to have the confidence of the entire business community. He helped me to prepare the catalogue, and I sent him out and he visited the various large brokers in Cincinnati, Indianapolis, Chattanooga, and Knoxville, with whom he was acquainted. I had one of my assistants visit the people with whom he was acquainted in Chicago, New York, and Cincinnati. And I gave it good publicity, and I prepared the catalogue in such a way that when it was sent to those people later there wasn't any doubt, not the slightest doubt, as to what was

being offered to them, and I attribute to that care with which I advertised the things, and the catalogue and the intelligent manner in which it was handled by my assistant whom I employed, the success of the sale.

Mr. GRAHAM. How did the prices you received compare with the prices the Quartermaster Department is now receiving for the food it is selling?

Col. HORNEY. I could not tell you, sir. All I know about it is what I saw in the papers with reference to a lot and the unsatisfactory bids they were receiving when the foodstuffs were first offered, and that was reported to me 25 or 30 per cent of the original cost. As I stated, I received between 67 and 68 per cent of the original cost. Those foods were packed in large containers. The foods were packed in gallon jars and the jams in barrels, 50-gallon barrels, and the mustard was in 50-gallon barrels, and so on, and it was almost impossible to get a good price.

Mr. GRAHAM. Was it desirable to have those packages in that shape in the beginning; was it of assistance to the Army to have those supplies in that shape?

Col. HORNEY. This was not bought for the Army; it was bought for the mess hall and for sale to the people in the building.

Mr. GRAHAM. I wonder why it was thought desirable to buy it in such shaped packages in the first place?

Col. HORNEY. I think because it was used in such quantities on the grounds, it was thought cheaper to get it in the large packages than in the smaller ones.

Mr. GRAHAM. So that all that food is disposed of?

Col. HORNEY. Practically all of it.

Mr. GRAHAM. Now, how much clothing did you have there?

Col. HORNEY. I have a catalogue of the remaining Ordnance material, which I have not sent out yet. It is divided into groups, drugs and toilet articles, and dry goods, stationary, gent's furnishings, hardware and sanitary supplies, house furnishings and ladies' furnishings, notions, and shoes.

Mr. GRAHAM. Well, can you give us a general idea of about how much clothing you had on hand when you stopped operations there?

Col. HORNEY. Yes; I can take these things and give you the total of those groups I have given you very easily.

Mr. GRAHAM. All right; do so, please.

Col. HORNEY. Drugs, \$7,158.17.

Mr. GRAHAM. Is this now at the time you stopped operations?

Col. HORNEY. This is now.

Mr. GRAHAM. I don't want it now.

Col. HORNEY. Of course, some things are taken away; comparatively few of those things have been disposed of since they stopped operations; this is substantially what was on hand then. The sales of these have been very small.

Mr. GRAHAM. Well, proceed then.

Col. HORNEY. \$1,121.96 for—

Mr. GRAHAM (interposing). It is not necessary to itemize; just give us in general.

Col. HORNEY. I can give you, then—that which is classed as drugs and miscellaneous toilet articles, things of that sort, amount to \$29,893.55.

Mr. GRAHAM. Without going into details about that, Colonel, I wonder if you can not give us in a general way about how large a stock of clothing you had there when you stopped operations? We are not concerned particularly with the small details, but want to get in a general way what you had.

Col. HORNEY. Including gent's furnishings and clothing and the women's furnishings?

Mr. GRAHAM. Yes.

Col. HORNEY. \$143,987.99.

Mr. GRAHAM. Now, have you sold any of that since you ceased operations?

Col. HORNEY. Very small quantities of it.

Mr. GRAHAM. That consisted of all class of clothing, did it, for men and women?

Col. HORNEY. Shirts, underwear, socks, suspenders, ties, union suits and ladies' stockings, overalls, hose, and some women's suits and overcoats.

Mr. GRAHAM. That is all there now, isn't it, Colonel?

Col. HORNEY. Practically all of it there still.

Mr. GRAHAM. What steps, if any, have you taken to dispose of that clothing?

Col. HORNEY. I have just finished cataloguing it, and brought the catalogue with me down to Washington to-day to present it to the salvage board to get instructions as to how to proceed.

Mr. GRAHAM. You think there is approximately \$12,000,000 of this loose property around the plant there at the time you ceased work?

Col. HORNEY. That is a rough estimate.

Mr. GRAHAM. And it consisted of practically all sorts of materials of every kind?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Is there some uninstalled machinery on hand?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. How large a stock of railroad equipment do you have there that belonged to the Government?

Col. HORNEY. There were six steam locomotives for standard-gauge track. There were a large number of small electrical locomotives for the narrow-gauge track throughout the plant. There were two narrow-gauge steam locomotives. There were flat cars for handling material in the plant. There was no standard-gauge regular railroad equipment of that kind outside of locomotives. There were, I should say, approximately between 40 and 50 miles of standard-gauge railway track, including 8 miles of double track to connect with the outside railway systems, the balance of it being for the classification yards.

Mr. GRAHAM. Were you 8 miles from the main line of the railroad with which you connected?

Col. HORNEY. Yes, sir; we could have gotten to the L. & N. much nearer, but it would have required the building of a railway bridge over the Tennessee River.

Mr. GRAHAM. How far are you from the city of Nashville?

Col. HORNEY. Fourteen miles one way and 18 miles another. There are two usual routes.

Mr. GARRETT. Do you mean over the Tennessee River or over the Cumberland River?

Col. HORNEY. Over the Cumberland River; yes.

Mr. GRAHAM. Now, Colonel, if this plant is continued in the charge of the Government will it be possible to reduce this force that you have got out there?

Col. HORNEY. After the property has been put in salvage and the plant put in stand-by condition.

Mr. GRAHAM. How much will it be possible to reduce it?

Col. HORNEY. To less than half.

Mr. GRAHAM. So that you think you can reduce it so that your pay roll will be approximately \$60,000 to \$65,000 a month?

Col. HORNEY. After a time. It all depends on how well that plant is to be maintained.

Mr. GRAHAM. Well, what is its shape now; are the buildings painted?

Col. HORNEY. No, sir.

Mr. GRAHAM. What are they made of?

Col. HORNEY. The factory buildings are almost all galvanized iron—covered with galvanized iron.

Mr. GRAHAM. Painted?

Col. HORNEY. No, sir; and I said it depends on how it is taken care of; I had in mind that they would have to be painted within a year or two years, and I think it would be a mistake to let it go longer than a year.

Mr. GRAHAM. How many houses have you there?

Col. HORNEY. In the neighborhood of 3,000, if I remember right; a total of 4,300 buildings in the entire plant.

Mr. GRAHAM. Are they portable houses?

Col. HORNEY. No, sir.

Mr. GRAHAM. Are they painted?

Col. HORNEY. No, sir; the most of them are frame structures, covered with patented rubberoid roofing largely. About 300 of them are of better construction, covered with asphalt and sand shingles. There are three dwelling houses there which should be regarded as permanent structures.

Mr. GRAHAM. Now, how long will that class of buildings last?

Col. HORNEY. I don't know.

Mr. GRAHAM. Well, will they need repair in the near future?

Col. HORNEY. They will need current repairs all the while, of course; leaky roofs, and chimneys and—

Mr. GRAHAM. Can that plant be maintained by the Government as a powder plant without rebuilding those buildings?

Col. HORNEY. For a considerable time; yes, sir.

Mr. GRAHAM. Well, how long?

Col. HORNEY. There is a group of about 300 dwelling houses there, which, without excessive repairs, could be maintained for a number of years. The balance of them I would expect to go to pieces very rapidly.

Mr. GRAHAM. The factory buildings are inclosed by galvanized iron; is that a permanent construction?

Col. HORNEY. Yes; that is the usual construction for powder-factory work; has been for a number of years.

Mr. GRAHAM. What sort of water system have you got there?

Col. HORNEY. We have a very excellent system.

Mr. GRAHAM. How many gallons a day?

Col. HORNEY. The original installation provided for a pumping capacity of about 84,000,000 gallons, and the filtration capacity is about—nominally rated at 62,000,000 gallons. It has been shown, I believe, that it was capable of a considerable overload capacity, so that, except in times of great turbidity of the river, we could take care of probably 100,000,000 gallons in that filtration plant; certainly all you could pump.

Mr. GRAHAM. Now, is it possible to operate that system without operating all of it; in other words, can part of it be operated?

Col. HORNEY. Yes; of course, you have to operate the pipe lines, of course.

Mr. GRAHAM. And all the settling basins have to be operated?

Col. HORNEY. The settling basins are all operated, because it is more economical to give more time for settling them to use only one; but, of course, we use only one pump instead of all of them.

Mr. GRAHAM. Do you have a sanitary sewer system?

Col. HORNEY. Yes; and sewage-disposal system.

Mr. GRAHAM. What is the sewage disposal system; what sort of a sewage disposal system?

Col. HORNEY. Sand filtration.

Mr. GRAHAM. With septic tank?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Do you furnish your own electric light?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Make it in your power plant?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. Do you have gas there on the grounds?

Col. HORNEY. No, sir.

Mr. GRAHAM. Where do you get your coal from in the plant?

Col. HORNEY. The last contract is coming from Palmer, Tenn. I haven't it looked up on the map, and being new in that section I do not know just where it is. I understand that it is within about 100 miles of the plant.

Mr. GRAHAM. Is it coal that is satisfactory?

Col. HORNEY. Very good coal; the analysis is first rate.

Mr. GRAHAM. Is there any natural power around; water power or anything of the kind that can be utilized?

Col. HORNEY. Yes; the Tennessee Power Co. furnish light and power to Nashville and that vicinity.

Mr. GRAHAM. Well, you do not buy from them?

Col. HORNEY. No, sir; you see, in powder manufacturing there is more of a heating load than there is of a power load; you need more steam and you can not buy that; and so long as you have to have the heating load it is better to make your light as well.

Mr. GRAHAM. Some point has been made on freight rates compared with Nitro, W. Va., and your institution there on raw materials of powder. Where do you get your alcohol that you use mostly from?

Col. HORNEY. From Illinois, I presume. I have not bought any and I do not happen to know where it came from.

Mr. GRAHAM. Peoria, probably?

Col. HORNEY. Peoria; that would be the most natural place, I think.

Mr. GRAHAM. Do you know the freight rates between Peoria, Ill., and Nashville, and Peoria and Charleston, compare?

Col. HORNEY. I do not know; I do not think there would be much difference.

Mr. GRAHAM. The sulphur comes from Louisiana?

Col. HORNEY. I suppose that would be much cheaper than to Nitro.

Mr. GRAHAM. Do you have any cotton linters on hand there?

Col. HORNEY. Yes; large quantities.

Mr. GRAHAM. How much?

Col. HORNEY. Four million or five million pounds, I should say.

Mr. GRAHAM. Where is it?

Col. HORNEY. In the storehouses.

Mr. GRAHAM. Was it all stored when you got there?

Col. HORNEY. Yes, sir.

Mr. GRAHAM. It is in good shape then, is it?

Col. HORNEY. Most of it. Some of it was stored in the purification houses, which would require more handling than in the other storehouses.

Mr. GRAHAM. What is it—cotton linters?

Col. HORNEY. Some cotton linters and some hull fiber.

Mr. GRAHAM. Does that stuff deteriorate if exposed?

Col. HORNEY. I don't know; I have not had any experience, but I should think it would deteriorate if exposed to the weather. It certainly would be expensive to handle, need more cleaning, and so on.

Mr. GRAHAM. The other raw materials that are used in powder—the acids—I suppose you produce there?

Col. HORNEY. The acids, the sodium nitrate, and the saltpeter—the logical way to get that in would be through New Orleans. I should say the freight rate to Nashville would be less—I do not know where—

Mr. GRAHAM (interposing). Norfolk, probably?

Col. HORNEY. Yes; I suppose that would be the natural way to get it to Nashville.

Mr. GRAHAM. I am advised that the freight rate would be a little less through Norfolk.

Col. HORNEY. I should not think there would be much difference.

Mr. GRAHAM. How much, in your judgment, Colonel, would it cost to maintain that plant at Old Hickory in a laid-by condition, taking into account depreciation; what is it going to cost the Government to keep it shut up and inactive?

Col. HORNEY. If it is to be kept so that it will not deteriorate?

Mr. GRAHAM. That is what I mean; in good shape.

Col. HORNEY. It will cost \$1,000,000 a year for the first two or three years; it will cost more than that afterwards. That is only an estimate, sir.

Mr. GRAHAM. How many acres of land have you got down there?

Col. HORNEY. Something over 5,000.

Mr. GRAHAM. Is that all occupied by the plant?

Col. HORNEY. No, sir; the plant occupies the central portion; it occupies the bulk of it, of course, but there is low land all around the plant, next to the river, which is not occupied. That has been farmed this summer.

Mr. GRAHAM. Do you know what the purpose of the Government is to do with the powder that has been stored there?

Col. HORNEY. No, sir; except to keep it on hand as a reserve.

Mr. GRAHAM. Will it deteriorate?

Col. HORNEY. Yes, in the course of time.

Mr. GRAHAM. Do you know whether that supply of powder that you have there represents the available surplus supply of the Government of the United States of smokeless powder now?

Col. HORNEY. No, sir; I think it is only about one-third—about one-third of the supply. I can not tell you how much it represents of the surplus, by surplus meaning over and above what is considered fair for the number of guns available.

Mr. GRAHAM. That is all I think of just now. Mr. Jefferis, do you want to ask him any questions?

Mr. JEFFERIS. Colonel, what do you think was the cost of that plant?

Col. HORNEY. I understand that something over \$80,000,000 was expended up to the time the Du Ponts ceased operations.

Mr. JEFFERIS. Now, did that include this quantity of material that is on hand there?

Col. HORNEY. Yes, sir.

Mr. JEFFERIS. In other words, as you understand, this something over \$80,000,000 includes the construction of the plant, the purchase of the land, and the purchase of the supplies?

Col. HORNEY. I understand that that covers the purchase of supplies which would be used for construction purposes; not for the purchase of supplies that would be used in manufacturing powder.

Mr. JEFFERIS. Well, would it include this lumber and groceries and cigars and things like that?

Col. HORNEY. It included a portion of that; a portion of that I have no doubt was chargeable to the operating account and to the construction account. Two separate accounts were kept.

Mr. JEFFERIS. What kind of lumber was this material?

Col. HORNEY. Mostly yellow pine.

Mr. JEFFERIS. What shape is that in?

Col. HORNEY. I should say three-fourths was 2 by 4 and 2 by 6 and 2 by 8 and sheathing.

Mr. JEFFERIS. Is it in good shape?

Col. HORNEY. Yes; most of it has been sold; the Director of Sales made a contract in Washington disposing of all the surplus lumber.

Mr. JEFFERIS. Is it moving now?

Col. HORNEY. Yes; at the rate of 20 or 25 carloads a day, limited by the supply of cars.

Mr. JEFFERIS. You think it would cost \$1,000,000 to maintain that plant a year, do you?

Col. HORNEY. If the plant is to be kept in condition that it could be put in operation again within a reasonable time, yes.

Mr. JEFFERIS. Have you got any paints on hand down there?

Col. HORNEY. Yes, sir.

Mr. JEFFERIS. A considerable quantity?

Col. HORNEY. Well, yes; as usually spoken of; everything is in such large quantities down there.

Mr. JEFFERIS. How much paint do you have down there?

Col. HORNEY. I could not tell you offhand, sir; but I could send you a list of it.

Mr. JEFFERIS. Oils?

Col. HORNEY. Yes; there are oils; not very large quantities of oils.

Mr. JEFFERIS. Do you think there is enough paint there to paint—

Col. HORNEY (interposing). No, sir.

Mr. JEFFERIS. You say the Y. M. C. A. runs this hotel that is there now?

Col. HORNEY. Yes, sir.

Mr. JEFFERIS. Do they account in any way to the Government?

Col. HORNEY. Absolutely, yes; their accounts are audited by the Government by my instructions once a month. They make no expenditures that are not subject to review by myself.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. Colonel, when you speak of a \$1,000,000 to maintain the plant, does that include the cost of maintaining all these cheap residences there, or do you speak of the manufacturing plant alone?

Col. HORNEY. I include the manufacturing plant and the better portion of the village; that is to say, 300—roughly speaking—300 of those.

Mr. GARRETT. Did I understand you to say a while ago there were just three houses there, residences, that could be considered permanent?

Col. HORNEY. Yes, sir; three that are permanent in the sense that they are such that an ordinary civilian would build as a house for his own use. The 300 houses that I speak of as being of the better class, could be classed, I should say, as semipermanent, or cheap grade of permanent houses.

Mr. GARRETT. I suppose some of those houses are occupied now?

Col. HORNEY. The most of the better class are occupied.

Mr. GARRETT. Any of the cheap ones, or inferior grade?

Col. HORNEY. Yes; some of those that happen to be adjacent to the better class are occupied, because a number of people prefer to pay lower rents for them.

Mr. GARRETT. What rentals are you receiving for the houses there now?

Col. HORNEY. From \$10 or \$12 for the small ones to \$35 for the better class.

Mr. GARRETT. Have you an idea as to the gross income you have from the rentals?

Col. HORNEY. No, sir; I could not tell you that, but it is a considerable sum.

Mr. GARRETT. Of course, I don't suppose it is equal to the pay roll?

Col. HORNEY. Oh, no, sir; because the men—only a part of the men live there, and they could not afford to pay their whole salary.

Mr. GARRETT. There are none living there except employees?

Col. HORNEY. The only ones outside of the employees of the Government's roll is the secretary of the Y. M. C. A.

Mr. GARRETT. He is not on the Government roll?

Col. HORNEY. He is not on the Government roll; he does not draw any salary from the Government.

Mr. GARRETT. Is the hotel building a pretty good building?

Col. HORNEY. Yes; it is a comfortable building; it is cheaply constructed but very large; covered with asphalt shingles.

Mr. GARRETT. Do you have a school building out there?

Col. HORNEY. Yes, sir.

Mr. GARRETT. Just one?

Col. HORNEY. We have one school building proper, and then one corner left of the one that was burned down that is being used for kindergarten.

Mr. GARRETT. Is that school in operation?

Col. HORNEY. It has not been in operation yet; we haven't the funds. They are starting it now by the guarantee to the teachers of their salaries by the inhabitants of the village.

Mr. GARRETT. Do you have any idea how many children there are out there?

Col. HORNEY. About 300 of school age.

Mr. GARRETT. I meant of school age.

Col. HORNEY. Yes, sir.

Mr. GARRETT. I believe you said this is about 8 miles from Nashville?

Col. HORNEY. It is about 14 miles from Nashville by the nearest way and about 18 miles by the more ordinary traveled road.

Mr. GARRETT. Is it on the Nashville side of the river?

Col. HORNEY. No; it is across the Cumberland. If you go by the Lebanon Pike you cross the Cumberland and then go along until you come to the bend. If you go by the Gallatin Pike you cross at the bend.

Mr. GARRETT. It is what is known as Hadley's Bend?

Col. HORNEY. Yes, sir.

Mr. GARRETT. How far is it from the Jackson homestead to the reservation?

Col. HORNEY. The southern end of the reservation is probably a mile and a half to the Hermitage, or the old residence.

Mr. GARRETT. There is a soldiers' home out there?

Col. HORNEY. Yes; the soldiers' home is right near the Hermitage.

Mr. GARRETT. There are no military forces there?

Col. HORNEY. No, sir.

Mr. GARRETT. Is there much plumbing material on hand there?

Col. HORNEY. Yes, sir.

Mr. GARRETT. I mean not placed; loose material?

Col. HORNEY. Not placed, or which is just placed and never connected up. There were about 3,000 dwelling houses there, approximately, and each of them was provided with the usual bathroom and fixtures. Now, those fixtures for the houses not occupied or likely to be occupied are surplus.

Mr. GARRETT. Well, are any steps being taken about the sale of that?

Col. HORNEY. I have not offered any of that for sale yet; no, sir.

Mr. GARRETT. Have you any inquiries about that, Colonel?

Col. HORNEY. Only casual inquiries from individuals, perhaps, who want to buy one bathtub, or something like that. I did not intend to sell it like that, because we have no retail sales organization.

Mr. GARRETT. You can dispose of much of that stuff in the city of Nashville?

Col. HORNEY. It is a question.

Mr. GARRETT. I say, have you been able to dispose of a good deal of this—

Col. HORNEY (interposing). Yes; a good many bidders.

Mr. GARRETT. Who was this broker you employed there?

Col. HORNEY. Mr. Woolwine; Hamilton Woolwine.

Mr. GARRETT. I suppose these bathtubs could all be salvaged for some value?

Col. HORNEY. Yes; and the closets and toilets and washbasins. As a matter of fact, all of the fittings going with those I have already taken into the storehouses, so that they would not be stolen.

Mr. GARRETT. Is all the loose material there well stored?

Col. HORNEY. No, sir.

Mr. GARRETT. There are parts of it that are not?

Col. HORNEY. A lot of the loose material is scattered all over the place.

Mr. GARRETT. Well, is it exposed, a good deal of it?

Col. HORNEY. A good deal of it is exposed. I am taking care of it by spraying it with paint; but pipe and pipe fittings are exposed.

Mr. GARRETT. You have no place for them?

Col. HORNEY. No place for them; and it would be very expensive, such enormous quantities of it.

Mr. GARRETT. How does it happen, do you know, that there is such a large quantity of this pipe, this water pipe?

Col. HORNEY. Steam pipe; the water pipe is mostly gone. This is steam pipe and hydraulic pipe, and things of that sort. Air, and steam and water steel pipe.

Mr. GARRETT. Well, was it to be utilized in the units that were not completed?

Col. HORNEY. Yes, sir.

Mr. GARRETT. Now, any surplus there over and above the amount that would have been utilized in them, above the ordinary material?

Col. HORNEY. I can not tell you that without checking up against the drawings and that has never been done so far as I know. I suppose they bought in excess of the actual demands so as not to be delayed by shortage of any sort.

Mr. GARRETT. But you do not know to what extent?

Col. HORNEY. No, sir; I do not. I make that statement that there is a surplus only because I think it would have been the logical thing for them to have done.

Mr. GARRETT. That is all.

Mr. GRAHAM. I believe that is all, Colonel. I think that is all we want to ask you. If you have an extra printed copy of that inventory we would like to have it.

Col. HORNEY. You see, I am not printing all of it, except that which is being offered for sale as surplus. The inventory includes all the details of the buildings and the machinery in the buildings as well.

Mr. GRAHAM. Well, are you having printed a list of the surplus materials?

Col. HORNEY. Which is for sale. For instance, the groceries, and in the commissary. The pipe and fittings that remain after shipment and the other establishments has been made. A good deal of the stuff is being utilized elsewhere, and then whatever remains to be

sold I expect to make a catalogue, and either print or mimeograph it, depending on the amount to be disposed of.

Mr. GRAHAM. If you have any extra copy of that you had better send it to us.

Col. HORNEY. Yes, sir.

Mr. JEFFERIS. Do you know, Colonel, whether or not the contractors settled with the Government for this plant, or not?

Col. HORNEY. I should think not. I should hardly imagine the contract would have been settled in this length of time.

Mr. JEFFERIS. As I understand, the consideration for building this plant was \$1, did you say?

Col. HORNEY. Yes, sir.

Mr. JEFFERIS. And then the Du Pont people were to have a profit on the powder that they manufactured?

Col. HORNEY. They have a contract for manufacturing a certain quantity of powder; I do not recall the exact amount; but a certain minimum amount they were given the right to manufacture, although the United States had a right to cease manufacture at any point.

Mr. JEFFERIS. You never heard of a claim filed, or that they were going to file one, or anything of that kind?

Col. HORNEY. No, sir; I haven't anything to do with that.

Mr. GARRETT. Are you a graduate of West Point?

Col. HORNEY. Yes, sir.

Mr. GARRETT. What year?

Col. HORNEY. 1891.

Mr. GARRETT. What State are you from?

Col. HORNEY. Ohio was my native State.

Mr. GARRETT. The houses that were there, are they of the bungalow type?

Col. HORNEY. Yes; most of them.

Mr. GARRETT. You say they were not portable houses?

Col. HORNEY. No, sir.

Mr. GARRETT. The ones at Nitro were portable. Were they all furnished?

Col. HORNEY. No, sir; there were certain quantities of furniture loaned out by the du Pont Co. to the employees, but the houses as a whole were not furnished.

Mr. GARRETT. Well, now, is the furniture that was loaned, is that still there?

Col. HORNEY. Yes, sir.

Mr. GARRETT. Now, does that belong to the Government or to the du Pont people?

Col. HORNEY. Yes; that belongs to the Government.

Mr. GARRETT. Certain quantities of that.

Col. HORNEY. There are large quantities all together. There were a large number of dormitories for women and barracks for men that were furnished.

Mr. GARRETT. In some instances the persons rented the houses—furnished them, you say?

Col. HORNEY. Practically all of them. There were only odd pieces that were loaned to people.

Mr. GARRETT. You say in practically all cases—

Col. HORNEY (interposing). The inhabitants furnished their own houses.

Mr. GARRETT. Well, do you happen to know about the cost of construction of those buildings; about what the cost was on the construction was on those inferior residences?

Col. HORNEY. No, sir; there is no record of the cost of individual buildings kept; so that all I could do would be to estimate the cost of those buildings. I have estimated the cost of the different types of buildings.

Mr. GARRETT. You have?

Col. HORNEY. Yes, sir.

Mr. GARRETT. How many types of residence buildings are there?

Col. HORNEY. Oh, there must be six or eight, I should say.

Mr. GARRETT. Six or eight different types?

Col. HORNEY. Yes, sir.

**TESTIMONY OF LIEUT. D. E. DUBE, ORDNANCE DEPARTMENT,
UNITED STATES ARMY.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name, Lieutenant?

Lieut. DUBE. David E. Dube.

Mr. GRAHAM. You are a lieutenant in the Ordnance Department?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. How long have you been in the Army?

Lieut. DUBE. Since January, 1918.

Mr. GRAHAM. Where did you live prior to going into the Army?

Lieut. DUBE. Brookline, Mass.

Mr. GRAHAM. When you went into the Army did you go immediately into the Ordnance Department?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. As a lieutenant?

Lieut. DUBE. As a civilian, in September, 1917.

Mr. GRAHAM. How long did you remain a civilian?

Lieut. DUBE. Until January.

Mr. GRAHAM. And then you were commissioned a lieutenant?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Where were you assigned?

Lieut. DUBE. To McCasson & Roberts, New York City, first.

Mr. GRAHAM. What were they doing?

Lieut. DUBE. They were packing ammonium carbonate in tins, and bottling ammonia water for the Army; I was there as inspector.

Mr. GRAHAM. Were you a technical man of any kind?

Lieut. DUBE. Pharmacist.

Mr. GRAHAM. You were a pharmacist?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Well, how did you happen to get into the Ordnance? One would naturally think that you would get into the Pharmaceutical Corps?

Lieut. DUBE. They were short, as I understand, in the oil, grease, and chemical department of the Ordnance Department, and I simply received a letter asking me if I would consider an offer to assist.

Mr. GRAHAM. Were you working in Brookline at the time?

Lieut. DUBE. Yes, sir; that is a suburb of Boston.

Mr. GRAHAM. What were you doing?

Lieut. DUBE. Assistant manager of a Liggett store.

Mr. GRAHAM. A drug store?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. What is your age, Lieutenant?

Lieut. DUBE. Twenty-nine. I will be 30 next month, in November.

Mr. GRAHAM. Were you subject to the draft?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Now, how long did you remain with the company?

Mr. JEFFERIS. The New York company, you mean?

Lieut. DUBE. McCasson & Roberts; off and on I was inspector at different—that is, I received travel letters to visit or inspect materials at different plants throughout the country, and we made a permanent station at McCasson & Roberts, in Brooklyn.

Mr. GRAHAM. How long did you remain in that work?

Lieut. DUBE. As a commissioned officer, the latter part of January.

Mr. GRAHAM. When did you go into the Boston District Salvage Board?

Lieut. DUBE. Why, I did a part of the work shortly after the armistice was signed, or declared, in connection with my other duties.

Mr. GRAHAM. Well, are you still on that board?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. You have charge of the sale of salvage materials that are being conducted there?

Lieut. DUBE. Charge of conducting sales, yes, of materials.

Mr. GRAHAM. It has been alleged to this committee that there were sales being made up there now of Government material that might with advantage be kept by the Government, and our specific attention has been called to some sales of armor-plate shields for guns that were advertised for sale recently. I have in my hands here, for instance, an advertisement, of September 17, calling for sealed bids for 202,743 pounds of steel armor plate, and the material armor-plate aprons, rear plate chest doors, hoods, and so forth, for 75-millimeter guns and 155-millimeter caissons. Have you been selling that sort of material up there? Let me show you these advertisements.

Lieut. DUBE. Does it give the location of them? I can not quite remember the article. [Mr. Graham hands paper to Lieut. Dube.] Yes; those at the Simonds Manufacturing Co. plant. They have been declared by Washington as surplus.

Mr. GRAHAM. They were materials that were being made by some manufacturer there, were they?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Well, have you been selling them?

Lieut. DUBE. Why, we haven't yet. They are advertised for sale. They are for sale, but they have not been sold at the present time.

Mr. GRAHAM. Well, are they completed materials?

Lieut. DUBE. I don't think so; they are in process.

Mr. GRAHAM. One would judge from the description in this advertisement that they are completed materials, because it is stated that they are armor-plate caissons and rear plates, and so on.

Lieut. DUBE. They are components for that particular number, mostly.

Mr. GRAHAM. For this 75-millimeter gun?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Well, they are materials that are indestructible, aren't they, Lieutenant?

Lieut. DUBE. I would say so; yes, sir.

Mr. GRAHAM. What is the reason for selling that sort of stuff when they could be stored forever?

Lieut. DUBE. Simply because the Ammunition Division has a certain program, as I understand it, that they require just so many components.

Mr. GRAHAM. The Ammunition Division?

Lieut. DUBE. Yes sir; we submit our list of components to Washington to find out whether or not it is required for future manufacture or whether it is to be declared surplus.

Mr. GRAHAM. Now, you take a shield for 75-millimeter gun; I understand that is the plate through which the guns projects that protects the gunners to some extent behind. That is a standard thing. As long as the gun is used that thing is going to be useful.

Lieut. DUBE. I should say so.

Mr. GRAHAM. They cost a considerable amount of money?

Lieut. DUBE. I am not familiar with the cost. I should think they would be.

Mr. GRAHAM. And all you can get for them when you sell them is junk prices?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Can you give me any reason why the Government does not store that stuff some place against the time of need when we might need it?

Lieut. DUBE. Simply because of the large surplus.

Mr. GRAHAM. You mean a surplus over and above the program of the General Staff?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. You know what the program is, don't you?

Lieut. DUBE. Not quite familiar with it at all; no, sir.

Mr. GRAHAM. It is a little over 1,000,000 men; and you know in this war we figured on having 5,000,000 men.

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. If we had 5,000,000 men we would need all this and more, wouldn't we?

Lieut. DUBE. We would; yes, sir.

Mr. GRAHAM. Is it much trouble to take care of that material and store it?

Lieut. DUBE. It would have to be flushed and painted. As I say, I do not know; I am not sure whether it is completed or parts. By this advertisement I can not say now.

Mr. GRAHAM. This advertisement further proceeds and states, for instance, lot B, 46,900 pounds of 990 chest doors, and gives their dimensions; 58,400 pounds of 10.30 aprons, and gives their dimensions. Chest back. All those are for 75-millimeter gun caissons. I would assume from that they are finished, wouldn't you?

Lieut. DUBE. From that; yes, sir.

Mr. GRAHAM. Did you ever see them?

Lieut. DUBE. I never have; no, sir.

Mr. GRAHAM. Your name is signed to these advertisements, Lieutenant?

Lieut. DUBE. Pardon me, I have seen the—by your question do you mean if I saw the material?

Mr. GRAHAM. Yes.

Lieut. DUBE. No; I have not seen the material.

Mr. GRAHAM. Well, how do you do this, then, when you come to make an advertisement of this kind? Do you advertise it without seeing it?

Lieut. DUBE. We have to.

Mr. GRAHAM. Why?

Lieut. DUBE. It would take us considerable time to visit each plant in the district. We have representatives in the field that report that material to us.

Mr. GRAHAM. Are you making so many sales out there that you do not have time to look at the material and see what it is?

Lieut. DUBE. Why, no; that is not the idea.

Mr. GRAHAM. Well, this advertisement that I have mentioned to you states that bids will be received up to 12 o'clock noon, October 1; that has passed.

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Was the stuff sold?

Lieut. DUBE. No, sir; the bids were rejected; we did not receive sufficient or satisfactory prices for it.

Mr. GRAHAM. Now, here is another one—for Government material, bids to be received up to noon, Monday, October 6. This is a lot of sheet brass, a very large amount of it, approximately 100,000 pounds of sheet brass. Sheet brass in lengths of 8 feet, approximately, which was to be used in the manufacture of 49 grain primers, and 110 grain primers; brass is in good condition and packed in wooden boxes. What are you selling that for—junk?

Lieut. DUBE. Not necessarily.

Mr. GRAHAM. Bids were to be opened October 6; have you opened them?

Lieut. DUBE. Yes; we have opened them.

Mr. GRAHAM. What did you do with them?

Lieut. DUBE. I believe all those were rejected.

Mr. GRAHAM. Did you find any disposition among the people who are bidding on this stuff to try to get it for a little or nothing?

Lieut. DUBE. Some do.

Mr. GRAHAM. Well, do you suspect, or have you any reason to believe, there are combinations among them for that purpose?

Lieut. DUBE. No, sir.

Mr. GRAHAM. This sheet brass—could it be kept by the Government, and would it be useful in future operations if we got into war or trouble?

Lieut. DUBE. For that same purpose, I should say yes.

Mr. GRAHAM. What is the idea of selling it, then?

Lieut. DUBE. The same purpose. We have clearance from Washington to sell it. That is our instruction.

Mr. GRAHAM. It is not hard to take care of?

Lieut. DUBE. I would not say it is.

Mr. GRAHAM. It will not deteriorate in storage?

Lieut. DUBE. I would not think so.

Mr. GRAHAM. I see it is special material; copper 69 per cent and zinc 31 per cent, an uncommon alloy, but the right mixture, I suppose, to make primers.

Lieut. DUBE. I suppose.

Mr. GRAHAM. Now, then, instead of going to the trouble and expense of making that stuff over again when we get into war, why don't we keep it? Do you know, Lieutenant, that that stuff won't sell for a very high price, even as junk?

Lieut. DUBE. Why, no; I believe we can get at least 20 cents a pound for that material.

Mr. GRAHAM. Well, won't the proportion of zinc in there lower the price so that you can not get that?

Lieut. DUBE. Not so much.

Mr. GRAHAM. Zinc is only worth 8 cents a pound.

Lieut. DUBE. Something like that.

Mr. GRAHAM. A person that buys that would have to remelt it?

Lieut. DUBE. They would, unless they find some commodity they could use this.

Mr. GRAHAM. Do you know anything else that they use the same mixture for except primers?

Lieut. DUBE. I am not familiar with that.

Mr. GRAHAM. That is in the hands of the United States Cartridge Co., Lowell, Mass.?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Did the United States Cartridge Co. bid on it?

Lieut. DUBE. No, sir.

Mr. GRAHAM. Did not bid on it at all?

Lieut. DUBE. No, sir.

Mr. GRAHAM. Did the bids you did receive come from a cartridge company or cartridge companies?

Lieut. DUBE. I can not say as to that, sir.

Mr. GRAHAM. You do not remember about that yourself?

Lieut. DUBE. No, sir; I was in New York attending an auction sale when the bids were opened. I do not quite remember the details.

Mr. GRAHAM. Attending auction sales?

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. Are you having auction sales up there in that district?

Lieut. DUBE. The New York district had one at a certain plant where they had to remove all material, I understand.

Mr. GRAHAM. Was it a success?

Lieut. DUBE. The first day of it, I do not believe, was a success; the next two days, which I did not attend, was reported a success.

Mr. GRAHAM. What amount of surplus materials have you got there at the Boston ordnance office?

Lieut. DUBE. Why, all kinds, I would say, beginning with what we had declared surplus later on—75,000,000 pounds.

Mr. GRAHAM. Of metals?

Lieut. DUBE. Of metals.

Mr. GRAHAM. Have you got anything else besides?

Lieut. DUBE. Why, we have quite a few helmet-liers.

Mr. GRAHAM. Are those some of the Long, of I.

Lieut. DUBE. Yes, sir.

Mr. GRAHAM. He had something like 150 ordnance contracts?

Lieut. DUBE. I would not be surprised but he had.

Mr. GRAHAM. Has he filled his claims yet?

Lieut. DUBE. I think he has.

Mr. GRAHAM. Has it been settled?

Lieut. DUBE. I could not say as to that.

Mr. GRAHAM. Do you have anything to do with that?

Lieut. DUBE. No, sir.

Mr. GRAHAM. So far as you are concerned, you do not have any choice about the sales of these things; you are simply doing what Washington tells you to do?

Lieut. DUBE. Yes; so far as declaring things surplus.

Mr. GRAHAM. Have you ever been asked your advice about those things—as to what you think ought to be done with them?

Lieut. DUBE. Not as to the disposition.

Mr. GRAHAM. What is your judgment now, as an Army officer, about the wisdom of selling this stuff for junk?

Lieut. DUBE. It all depends on the surplus material and the program of the committee and the quantities that they require. If they have in excess of their program, I believe it to be far better for the Government to dispose of it.

Mr. GRAHAM. Why?

Lieut. DUBE. Storage, guarding, etc., and the transportation to a permanent storage place.

Mr. GRAHAM. Do you have any Government storehouses there at Boston?

Lieut. DUBE. We have temporary storehouses that we are using now to relieve the contractors, but they are not permanent.

Mr. GRAHAM. You think the expense of guarding and storage would exceed the value of the materials?

Lieut. DUBE. And the transportation possibly, I would.

Mr. GRAHAM. Well, I think that is all.

Mr. JEFFERIS. Who really determines what shall be surplus here?

Lieut. DUBE. As I understand, there are committees in Washington for the different branches of the service—Artillery, and ammunition, and trench warfare, etc.—who have the program before them and know just what materials they are to keep. Our forms come to Washington in the regular way, and are in that position where, if they are to be held for future manufacture, or are to be returned to salvage for disposition.

Mr. JEFFERIS. Well, do you know what officer deals with you and writes to you saying what is surplus?

Lieut. DUBE. The committee on sales of material, Ordnance Salvage Board, Washington.

Mr. JEFFERIS. Don't you know who is on that committee?

Lieut. DUBE. Oh, yes; Capt. Martin is chairman, and Capt. Downing is another, and Lieut. Davis is on that committee.

Mr. JEFFERIS. So when they declared something surplus, it is up to you to try to sell it, is it?

Lieut. DUBE. Yes, sir.

Mr. JEFFERIS. So if we have got any criticism as to the sale of this, we want to look down here at Washington, do we?

Lieut. DUBE. I would say so, so far as clearing surplus is concerned.

Mr. GRAHAM. Mr. Garrett, do you want to ask anything?

Mr. GARRETT. No, sir.

Mr. GRAHAM. That is all, Lieutenant.

TESTIMONY OF MR. F. H. PARSONS, OF CHARLESTON, W. VA.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Parsons, you have given your full name to the reporter.

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. Where do you live?

Mr. PARSONS. I live at Charleston.

Mr. GRAHAM. West Virginia?

Mr. PARSONS. Yes, sir; Charleston, W. Va.

Mr. GRAHAM. How long have you lived there?

Mr. PARSONS. Ten years.

Mr. GRAHAM. And what is your business?

Mr. PARSONS. I am a real estate dealer and produce man.

Mr. GRAHAM. You were there at the time the Nitro plant was started, were you?

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. Were you afterwards employed at Nitro on the work?

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. You were employed there?

Mr. PARSONS. Yes, sir; I was employed there, I think I went down there in October, the 2nd day of October, and I was there until in January.

Mr. GRAHAM. October, 1917, or 1918?

Mr. PARSONS. 1917; that was last year; about a month before the armistice, I went down there; that was 1918, wasn't it?

Mr. GRAHAM. Yes; 1918.

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. What were your duties there, Mr. Parsons?

Mr. PARSONS. Well, I was one of the guards at the time I was there.

Mr. GRAHAM. I suppose when you got there the place was rather busy?

Mr. PARSONS. When I first went down there?

Mr. GRAHAM. Yes.

Mr. PARSONS. A wonderful place when I first went; yes, sir.

Mr. GRAHAM. I understand that about that time or near that time there were 20,000 people employed there.

Mr. PARSONS. Yes; there were.

Mr. GRAHAM. Well, what did you observe about the way the work was being carried on there in a general way; was it efficient, and were the contractors getting work out of their men in an efficient way?

Mr. PARSONS. Well, everything was just a hustle and a bustle, and moving to and fro; everything was going, but just when the armistice was signed, why, things began to quiet down; then things began to break and slacken.

Mr. GRAHAM. Were you there on the 7th of November when it was supposed the armistice was signed?

Mr. PARSONS. I was there; I was at South Charleston and some man told me on the street car—I was on my way to Nitro, and I went right on to Nitro, and when I got there they were having some kind of a jubilee.

Mr. GRAHAM. Was there a fire at the establishment that evening; at the administration building?

Mr. PARSONS. As well as I remember that was the night. It was all dismissed from my mind when I left there.

Mr. GRAHAM. They tell us that that was the night.

Mr. PARSONS. Yes; I think that was the very night.

Mr. GRAHAM. Were you on the police force that night?

Mr. PARSONS. I was.

Mr. GRAHAM. When was the first intimation you had that the fire was occurring?

Mr. PARSONS. Well, I saw a blaze up to the farther end of the administration building from where I was. It seemed to be in the lower story; the first story.

Mr. GRAHAM. Well, did you go over there?

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. What did you do when you got there?

Mr. PARSONS. I was very much excited because I was interested about the war; I had two sons in the Army, and I was very much excited, and I hollered and done everything I could to get help.

Mr. GRAHAM. When you got over there was there anyone else there looking after the fire?

Mr. PARSONS. No, sir; there was not particularly anyone; they came as soon as I began to holler and scream. It excited me, I admit that. And some of the other police—especially the ones over to the base department. Some of the lieutenants and some of the higher officials were soon on the ground.

Mr. GRAHAM. Did you observe any interference in any way with anyone trying to get into that building or to get at the fire?

Mr. PARSONS. Well, there was a general interference, but I suppose what gave rise to a great deal of that, we thought that the Germans were doing it you know, and we did not know exactly what to do. We were all excited, and I felt very much interested, and I suppose all the men did, and, of course, there was a great deal of interference, but what was exactly the cause of it I could not say.

Mr. GRAHAM. Somebody has told me, I do not know just where I got the information, but some of your men who got there first tried to get into the building and were prevented by some one; is there anything to that?

Mr. PARSONS. I could not say much about that. I know one man, his name was McAdam, and another official, they seemed to be very mad because I made a great demonstration; in fact, they insulted me. I did not mean anything by it. But they seemed to want me to be still and not holler. But I thought it was hollering time.

Mr. GRAHAM. Were they officials of the powder company?

Mr. PARSONS. No, sir; just on the police department.

Mr. GRAHAM. Of the police department?

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. They wanted you to be quiet and not make an alarm?

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. Was the rest of the police force there at that time?

Mr. PARSONS. Well, there was a large police force; a great many came.

Mr. GRAHAM. How long did it take the fire department to get there, Mr. Parsons, from the time——

Mr. PARSONS (interposing). Well, I could not say just the time, but they were mighty slow and seemed to be handicapped all the time they were there.

Mr. GRAHAM. In what way can you tell?

Mr. PARSONS. It just seemed like everything was in the way. They were bothered and could not get anything to work, and when a man started to help there would be somebody to stop him; and the men were trying to get in their department to get their books, or the branch they were connected with aimed to get them out, and they would not let them do that; there was a general hindrance all the way through.

Mr. GRAHAM. How long do you think it was before they got water working on the blaze there?

Mr. PARSONS. Well, it was some time before they got it to do some good. Of course, from the time that the alarm was given they had no pressure, or something was wrong.

Mr. GRAHAM. Were there any guards ordinarily kept at that building?

Mr. PARSONS. Yes, sir; there were.

Mr. GRAHAM. Were they there that night?

Mr. PARSONS. Yes; there were said to be two or three guards in the building.

Mr. GRAHAM. Well, do you know whether some of the guards had been removed from there?

Mr. PARSONS. No, sir; I could not say.

Mr. GRAHAM. Was there afterwards any other fire at that plant?

Mr. PARSONS. Yes; while I was there, there were two or three other fires.

Mr. GRAHAM. Well, where were they?

Mr. PARSONS. They were at the Kanawha River, farther up by the bunk houses, and places like that—up near the chemical departments.

Mr. GRAHAM. Well, was there any further—someone told me there was another fire in another sort of additional administration building of some kind there; do you know anything about anything of that kind?

Mr. PARSONS. I think the storehouses, as they called the civic center, had a fire there and burned up two or three stores a few days after the armistice was signed.

Mr. GRAHAM. Do you know of any other fire where any records were destroyed there, Mr. Parsons?

Mr. PARSONS. No, sir, I do not.

Mr. GRAHAM. Mr. Parsons, we have also been informed that you know something about the possible destruction of material over there. Did you ever observe anyone around there burning lumber or destroying lumber?

Mr. PARSONS. Well, I could not say that I did. I saw them hauling lumber of all kinds and descriptions; I could not say that it was first-class lumber, but they seemed to be burning a good deal of stuff; but the most had taken place—that was the general talk—be-

fore I went down there. That was current talk all right, but as for knowing it, I do not.

Mr. GRAHAM. You saw them hauling lumber?

Mr. PARSONS. I saw them hauling lumber; yes.

Mr. GRAHAM. You do not know what grade of lumber it was?

Mr. PARSONS. I think it was an inferior grade, to get it out of the way and keep from hampering the other part of the plant.

Mr. GRAHAM. Was there very much of it?

Mr. PARSONS. There was lots of everything there, brother. There was nothing short of anything there that I heard of.

Mr. GRAHAM. Well, there is also stories current about them burying stuff to get it out of the way; throwing it into holes. Do you know anything about that?

Mr. PARSONS. Not myself; I don't.

Mr. GRAHAM. You have heard those rumors?

Mr. PARSONS. Yes; they were very current.

Mr. GRAHAM. Did you ever in your work around see anything of that kind to say anything of that kind had been done?

Mr. PARSONS. No, sir; I did not.

Mr. GRAHAM. Were you there when a lot of people were brought in from Montana—laboring men?

Mr. PARSONS. I was.

Mr. GRAHAM. Do you know how many people came from Montana, for instance?

Mr. PARSONS. I worked with several of them; as well as I remember, two or three carloads; a good bunch of them.

Mr. GRAHAM. Did they stay very long?

Mr. PARSONS. The most of them came in—they knew West Virginia was dry and most of them were drunk and drinking, and about the time the "flu" broke out—what was your question?

Mr. GRAHAM. Did they stay very long?

Mr. PARSONS. Some of them did not; some they took to the hospital as quick as they could get them there, and a big lot of them died hand over fist.

Mr. GRAHAM. Were there people coming into this institution from different places?

Mr. PARSONS. Into the hospital?

Mr. GRAHAM. No; to the institution.

Mr. PARSONS. Oh, it was wonderful; could hardly be described.

Mr. GRAHAM. And were they going out the same way?

Mr. PARSONS. Oh, it was not going out as fast. It was the same as a circus or fair; the biggest thing I ever saw or heard of.

Mr. GRAHAM. Where did they come from, Mr. Parsons?

Mr. PARSONS. All parts of the country; a big part of them from New York and Chicago and Boston; and they had a failure of crops throughout the West and a large part came from the West; Arizona and Montana, and those two States, and Wyoming, practically all the latter part of them that came were western men.

Mr. GRAHAM. Were there agents with them—employment agents?

Mr. PARSONS. Well, yes; they had employment agents that rounded them up and brought them in there; yes, sir.

Mr. GRAHAM. What did you observe about the men that were working there? The men that were hired, were they doing good work or were they loafing on the job?

Mr. PARSONS. Well, they did not—in a heap of the departments they did not do anything after the armistice was signed; they were all on the job and kept on the job, but did not do anything hardly at all.

Mr. GRAHAM. Just loafed around?

Mr. PARSONS. Just stood around. After the armistice was signed, if you are asking for the truth—

Mr. GRAHAM (interposing). Yes.

Mr. PARSONS. That is the whole truth; I was in practically every department of it, and they did not do anything, the way they were making the powder and taking it to store, and these lumber people, where there was—

Mr. GRAHAM. They did not do anything at all?

Mr. PARSONS. I seen them every day; I lived at Charleston and came up there; there was a gentleman who wanted to work; you know how a man is when he goes on a job, he would be anxious to get work and nothing doing. The men would work, but the foremen did not allow them to work. In a heap of the departments it was like that. There is great waste there. The biggest waste was after the armistice was signed, the way I figured it.

Mr. GRAHAM. You think we got along pretty well until that time?

Mr. PARSONS. Yes; I think they meant business, but nobody knew what was coming. Everybody was afraid of their jobs and they was afraid to quit or something. They wanted to get some money, that was all there was to it. They wanted to get money out of it.

Mr. GRAHAM. Do you want to ask anything, Mr. Jefferis?

Mr. JEFFERIS. The pay day after the armistice they were standing around?

Mr. PARSONS. Oh, they paid everybody; never fell short on the pay.

Mr. JEFFERIS. Did they give any double time after the armistice?

Mr. PARSONS. For a while. Of course, some departments had to be taken care of; there is no mistake about that, and others did not, down where they run the powder. They run it through some department and bring it in the little motor cars there, and they put it in the elevators and there would be two or three months when an elevator especially was out of whack, and they would not fix; that is where the waste was after the armistice was signed.

Mr. JEFFERIS. How long was that waste continued?

Mr. PARSONS. I suppose up to this hour or minute.

Mr. JEFFERIS. They kept a large crowd of men there?

Mr. PARSONS. They kept thousands of men for a long time.

Mr. JEFFERIS. How long were you working?

Mr. PARSONS. I was there from the 2d of October. I went down there when the war was at its worst. I had two sons in the Army. I left as quick as I could get away. I think the 2d day of January or the 15th of January, something like that.

Mr. JEFFERIS. And the men were still loafing around, were they?

Mr. PARSONS. Oh, by the thousands.

Mr. JEFFERIS. What did they do; go to the picture shows?

Mr. PARSONS. They went out.

Mr. JEFFERIS. Out where?

Mr. PARSONS. Every man was assigned to a task the same as he was doing it.

Mr. JEFFERIS. And went out, and what did he do?

Mr. PARSONS. He stayed out and then went in and rode on the Charleston trains home. A big part of them boarded at Charleston and other points, and they had certain trains—three or four in the morning and three or four in the evening—and they went down and got their pay and twisted around and got back a little bit.

Mr. JEFFERIS. Did you catch any of them hiding?

Mr. PARSONS. They did not have to hide. There was nothing for them to do. They were standing around waiting for the bosses to give them something—to get something ready for them to do.

Mr. JEFFERIS. The bosses could not find anything?

Mr. PARSONS. All the men would work, but it seemed to be that they could not find out what was going to be next. It seemed like something was back of the man on the work; they were anxious.

Mr. GARRETT. Had the force not been decreased any up to the time you left there, Mr. Parsons?

Mr. PARSONS. Yes; just about the time I left—the police force, you mean?

Mr. GARRETT. No; I mean the force working in the plant.

Mr. PARSONS. They began to ease off from the day the armistice was signed. Of course, they did hire a good many men afterwards, but they began to gradually go down. They were all there full force then.

Mr. GARRETT. A great many people moved away from there within a week or two, didn't they—from the plant?

Mr. PARSONS. I do not think it was that quick.

Mr. GARRETT. Well, by the first of the year had a good many people moved away?

Mr. PARSONS. I think some.

Mr. GARRETT. And left a good many houses vacant?

Mr. PARSONS. I think there were; yes, sir.

Mr. GARRETT. I suppose the major part of the force lived on the grounds there, didn't it?

Mr. PARSONS. Yes; at one time.

Mr. GARRETT. More lived there?

Mr. PARSONS. Yes; at one time I think the houses were all full.

Mr. GARRETT. Well, were there any points from which they drew labor except Charleston?

Mr. PARSONS. That was the largest point; all points along the river.

Mr. GARRETT. Yes; but I mean people who went to their homes from the plant?

Mr. PARSONS. That is the main point—Charleston.

Mr. GARRETT. I believe you stated you saw no evidence of shiftlessness there before the armistice was signed; everybody was at work and working well at that time?

Mr. PARSONS. Yes; everything seemed to be, so far as I could see.

Mr. GARRETT. Of course, they got good wages there?

Mr. PARSONS. They got good wages; and there was such an influx of men, unless you were at those places, you would not imagine what you would see there.

Mr. GARRETT. You were not at any other Government plants during the war, were you?

Mr. PARSONS. No, sir.

Mr. GARRETT. Were you at that naval plant there?

Mr. PARSONS. At Charleston?

Mr. GARRETT. Yes.

Mr. PARSONS. Yes, sir.

Mr. GARRETT. How did the condition there compare with the condition at Nitro?

Mr. PARSONS. It would not compare. They did not have the people like at Nitro. The way I saw it, it would not be a drop in the bucket.

Mr. GARRETT. Do you think that plant there was any benefit to Charleston much?

Mr. PARSONS. A benefit to Charleston?

Mr. GARRETT. Yes; in a commercial way.

Mr. PARSONS. No doubt it was. Oh, yes; no doubt but what it was a benefit.

Mr. GARRETT. I believe you said you are a real estate man?

Mr. PARSONS. Yes, sir.

Mr. GARRETT. I do not suppose you had anything to do with the real estate negotiations out there, did you?

Mr. PARSONS. No, sir; I did not. I just buy and sell my own property.

Mr. GARRETT. Speaking of this fire, you say there was a suspicion that perhaps it was caused by some enemy of the country?

Mr. PARSONS. Yes; that was my first thought. Of course, I was greatly interested myself, and heart and soul, and that was my first thought.

Mr. GARRETT. How far were you from the administration building when you observed the fire?

Mr. PARSONS. Well, I was about—I suppose I was about something like 100 feet.

Mr. GARRETT. Which side of the building did you observe the flame coming out of?

Mr. PARSONS. It was on the far side from me; on the side next to the Kanawha River.

Mr. GARRETT. On the side toward the Kanawha River?

Mr. PARSONS. Yes, sir.

Mr. GARRETT. It came up sufficiently high so that you could see it over the building?

Mr. PARSONS. Oh, no; it did not go that far. It was just right near the corner; just blew out from the corner. I could see it more through the window. I saw it just as it started. The buildings were tied up together. It was pretty hard for it to get afire, and it was pretty hard to get to it.

Mr. GARRETT. A frame building, of course?

Mr. PARSONS. A frame building; yes.

Mr. GARRETT. I guess that is all.

Mr. GRAHAM. Mr. Parsons, how many did you have on the police force when you first went there; how many men; do you know?

Mr. PARSONS. Well, I don't know exactly.

Mr. GRAHAM. Can you tell approximately?

Mr. PARSONS. About 350.

Mr. GRAHAM. What were you; just a patrolman?

Mr. PARSONS. Yes, sir.

Mr. GRAHAM. Were there many officers on the force—sergeants and lieutenants, and so on?

Mr. PARSONS. I think we had 10 or 11 squads, and possibly 10, and they had about, say, 35 men to a squad. I think something like that, and then they had sergeants and lieutenants.

Mr. GRAHAM. Were you men all mounted?

Mr. PARSONS. No, sir; not all the time; they had a good many horses and mounted part of the time.

Mr. GRAHAM. They did not have horses enough for all of you?

Mr. PARSONS. No, sir; I don't think so.

Mr. GRAHAM. In your judgment, was this sized police force necessary there for the maintenance of order?

Mr. PARSONS. Well, at the time of the war, when the war was going on it was all right.

Mr. GRAHAM. But after the armistice was signed, you think it was unnecessary?

Mr. PARSONS. In a short time it was.

Mr. GRAHAM. How soon did they begin to reduce the police force?

Mr. PARSONS. Well, they began to reduce it about the 1st of January.

Mr. GRAHAM. As you observed it, was it an efficient police force?

Mr. PARSONS. Well, it was at that time; it was an efficient one when I first went there.

Mr. GRAHAM. What happened to it afterwards?

Mr. PARSONS. Well, the worst part—I do not mean to say anything to hurt anybody's feeling; I do not know where anybody was from.

Mr. GRAHAM. No.

Mr. PARSONS. The police department was organized under the Thompson-Starrett Co., and they told me they were New York fellows, and the people said they were low grade of New Yorkers, and it proved out so, because many of them there stole and doing all kinds of tricks, and they threw off and got rid of a good class of men; they seemed to keep all their men on. Those are the facts. Them fellows from New York, they kept just as many of them as they possibly could, and keep their force up.

Mr. GRAHAM. We ran into that before. They had a lot of gunmen in some places. Was there anything of that kind down there? Professional criminals; did you observe anything of that kind?

Mr. PARSONS. Well, of course, I never saw them kill anybody; they were terrible gamblers and some bad men among them, especially of that element I spoke of.

Mr. GRAHAM. And this Thompson-Starrett Co. seemed to want to keep them there, did they?

Mr. PARSONS. It seemed that was an organization among themselves; they were in a ring together. You see, this police department, the head part of it, that done the head management and the employing, they were possibly from one place and they had an understanding among themselves, and that is the way they worked it. There was no question about it.

Mr. GRAHAM. Was the force that worked out there unionized during the war?

Mr. PARSONS. Unionized? I don't know—

Mr. GRAHAM (interposing). Were the labor-union organizations in there?

Mr. PARSONS. You mean the men who worked there?

Mr. GRAHAM. Yes.

Mr. PARSONS. I don't think so.

Mr. GRAHAM. You did not observe any distinction between people about that?

Mr. PARSONS. No; I don't think I did.

Mr. GRAHAM. I want to call your attention to some supplies that were taken in there, particularly some cotton; were you there when that came in?

Mr. PARSONS. I saw lots of it come in, and I guarded a wonderful lot of cotton. I know a good deal about the cotton.

Mr. GRAHAM. Do you know anything about why that cotton was not put under shelter?

Mr. PARSONS. Why, just before I left there they built a tremendous cotton shed.

Mr. GRAHAM. Yes; our committee saw it.

Mr. PARSONS. And they put the cotton under that. And right there, what they call the magazines, where they stored the powder, they have a wonderful lot of cotton there that did not have any sheds. I suppose it is there to this hour. Somebody told me it was.

Mr. GRAHAM. Do you know whether any attempt was made to take care of that?

Mr. PARSONS. No; I don't think any attempt was made to take care of that. I was over there a great deal.

Mr. GRAHAM. Do you know whether any of it was destroyed or injured in any way?

Mr. PARSONS. I was not from a cotton country, but it laid in the open country all the time. I know it was smoked terribly, and it rained a good deal. It was badly smoked.

Mr. GRAHAM. Are you familiar with cotton?

Mr. PARSONS. I don't know a thing in the world about it.

Mr. GRAHAM. I think that is all we want to ask you.

(And thereupon, at 1 o'clock p. m., the committee adjourned.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Monday, October 13, 1919.

The subcommittee met at 5.50 o'clock p. m., Hon. William J. Graham (chairman) presiding.

Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF LIEUT. COL. RICHARD H. HAWKINS, ORDNANCE
DEPARTMENT, UNITED STATES ARMY.**

Mr. GRAHAM. Col. Hawkins, at my request you brought with you a copy of the settlement contracts that have been made between the Government and the Virginian Power Co. on the lines and special facilities that were furnished the Government by the power company in the progress of the work at Nitro, W. Va.

Col. HAWKINS (referring to documents in his hands). Agreement of September 5, 1919, between the Virginian Power Co. and the United States, represented by myself as contracting officer for the Ordnance Department, and attached to that as an exhibit is a form of contract entered into between the Virginian Power Co. and the Navy Department.

Mr. GRAHAM. I offer these contracts for insertion in the record. There are, however, in connection with the contracts about 14 pages of detailed costs, which the committee may decide on inspection are not material enough to go into the record, but for the present we will not determine that.

(The contracts referred to are as follows:)

**MEMORANDUM OF ADJUSTMENT BETWEEN THE UNITED STATES AND THE VIRGINIAN
POWER CO., DATED SEPTEMBER 5, 1919.**

This memorandum of adjustment, made this 5th day of September, 1919, between the Virginian Power Co., a corporation created and organized under the laws of the State of Massachusetts, and having its office and place of business at Charleston, in the State of West Virginia, hereinafter called the Power Co., party of the first part, and the United States of America, acting through and represented by R. H. Hawkins, lieutenant colonel, Ordnance Department (hereinafter called the Contracting Officer), acting under direction of the Chief of Ordnance and by authority of the Secretary of War, party of the second part, witnesseth:

Whereas the Congress of the United States has declared by joint resolution, approved April 6, 1917, that war exists between the United States of America and Germany; and

Whereas an administrative unit having been created in the office of the Secretary of War and designated United States Government Explosives Plants, and the said Secretary of War having appointed D. C. Jackling director thereof; and

Whereas the national emergency required the construction of an explosives plant at Nitro, W. Va., under a contract authorized by the United States; and

Whereas the Secretary of War and the Fuel Administrator of the United States requested that in the execution of the work and in the operation of said plant consideration be given to the conservation of fuel; and

Whereas the United States approved such a plan and proposed the substitution of central station electric power for electric current generated at said explosives plant; and

Whereas under date of March 1 and March 8, 1918, the United States of America and the Virginian Power Co. entered into agreements for the purchase of rights of way and the construction and installation of certain transmission lines thereon and for substations, generators, boilers, and auxiliaries therefor in connection with the power company plant and power system at Cabin Creek Junction, W. Va., known as the construction contracts and for the delivery of power to the Government explosive plant, at Nitro, W. Va., which latter contract is entitled "Contract for electric power operating"; and

Whereas the signing of the armistice by the United States of America, the Allies, and the central European powers have brought about a cessation of hostilities, thus eliminating the need of the aforesaid explosive plant at Nitro, W. Va.; and

Whereas the United States of America no longer desires the delivery of electric power at said Government explosive plant, at Nitro, W. Va., by the said power company; and

Whereas the Secretary of War, on the 6th day of December, 1918, issued an order to the said D. C. Jackling, the director of the United States explosive plant at Nitro, W. Va., to proceed at once to suspend, cancel, adjust, and settle all contracts made necessary by the discontinuance of the construction work upon said explosive plant at Nitro, W. Va., and authorize the sale of such materials as could be most advantageously salvaged in that manner; and

Whereas on February 4, 1919, the Secretary of War issued an order relieving the said Director Jackling of all functions and duties of every kind whatsoever in connection with the contracts hereinbefore mentioned and transferring such functions and duties to the Chief of Ordnance by him to be performed or by such officer as the said Chief of Ordnance might designate and appoint; and

Whereas on February 8, 1919, the said Chief of Ordnance appointed J. M. S. Waring, lieutenant colonel, Ordnance Department, United States Army, as his special representative to carry out the provisions of the order made by the Secretary of War on February 4, 1919, as aforesaid; and

Whereas on the 17th day of July, 1919, the said Chief of Ordnance issued an order instructing his special representative, the said Lieut. Col. J. M. S. Waring, to submit an agreement with the said power company adjusting the obligations between the parties hereto growing out of the contracts aforesaid:

Now, therefore, in consideration of the premises, mutual agreements, terms, and stipulations hereinafter set forth, the said power company covenants and agrees to pay within 15 days from the execution of this agreement to the Treasurer of the United States \$81,805.04 by certified check, or in such other form as may be acceptable to the said Treasurer of the United States of America, and the power company further agrees to serve to the United States power for its use at the naval ordnance plant at South Charleston, W. Va., according to the terms of and under the provisions of a proposal heretofore submitted to the United States hereafter exhibited with this memorandum, and both parties hereto mutually agree to the cancellation of the contract dated March 8, 1918, and designated "Contract for electric power operating," and same is hereby canceled.

1. The power company admits the payment of all those costs incurred by it under said contract of March 8, 1918, designated as "Contract for electric power operating," that are shown in Exhibit 1, herewith made a part of this memorandum, and releases the United States from any further obligation on these costs.

2. The power company agrees to acquire rights of way and do the necessary construction work for the installation of transmission lines and substations for the delivery of power to the United States naval ordnance plant at South Charleston, W. Va., according to the terms and conditions of said contracts of March 1 and 8, 1918, which provide for the purchase of the right of way and construction work, respectively, both of which are to remain in full force and effect.

3. The power company admits the adjustment and settlement of all costs of construction under the two contracts last mentioned as listed and shown in said Exhibit No. 1.

4. The United States of America agrees to and does herewith sell, transfer, assign, deliver, and grant unto the power company such title as may now be vested in the said United States of America, all rights of way for transmission lines shown in Exhibit No. 3, herewith made part of this memorandum, and all transmission lines and substations constructed at the request of the United States Fuel Administration, specifically set out in Exhibit No. 2, herewith made a part of this memorandum; also the storehouse, hoist house extension and lean-to on the premises of the power company at Cabin Creek Junction, as shown in Exhibit No. 2 aforesaid; also a miscellaneous quantity of merchandise, material, equipment, and supplies now in the possession of the power company, and shown in said Exhibit No. 2; but nothing included in this paragraph shall embrace the material, equipment, or supplies now in the possession of the power company which may be required for the construction of the transmission lines to the said naval ordnance plant at South Charleston, and as shown by Exhibit No. 4, herewith made a part of this memorandum.

5. The United States of America acknowledges adjustment and settlement for all materials herein or heretofore transferred to the said power company, as shown in Exhibit 2, attached hereto.

6. The power company covenants and agrees that no Member of Congress, or Delegate to Congress, or Resident Commissioner is or shall be admitted to any share or part of this agreement or to any benefit which may arise therefrom; but under the provisions of section 116 of the act of Congress approved March 4, 1900 (35 Stat., 1109), this stipulation, so far as it relates to Members of or Delegates to Congress or Resident Commissioners, shall not extend or be construed to extend to any agreement made with an incorporated company for its general benefit.

7. The power company expressly warrants that it has employed no third person to solicit or obtain this contract in its behalf, or to cause or procure the same to be obtained upon compensation in any way contingent in whole or in part upon such procurement, and that it has not paid or permitted or agreed to pay any third person, in consideration of such procurement or in compensation for services in connection therewith, any brokerage, commission, or percentage upon the amount received by it hereunder, and that it has not in estimating the contract price demanded by it included any sum by reason of any such brokerage, commission, or percentage; and that all moneys payable to it hereunder are free from obligation to any other person for services rendered or supposed to have been rendered in the procurement of this contract. It further agrees that any breach of this warranty shall constitute cause for the annulment of this contract any sum due or to become due hereunder, an amount equal to any brokerage, commission, or percentage so paid or agreed to be paid.

In witness whereof the said power company has caused its corporate name and seal to be hereto affixed by its vice president hereunto duly authorized, and the said United States of America has caused this agreement to be executed by its duly authorized representative.

THE VIRGINIAN POWER CO.,
(Signed) By H. G. SCOTT, *Vice President.*

THE UNITED STATES OF AMERICA,
(Signed) By R. H. HAWKINS,
*Lieutenant Colonel, Ordnance Department,
United States Army, Contracting Officer.*

Witness:

HELEN HIETT.

This agreement made the ——— day of ———, A. D. 1919, by and between the Virginian Power Co., a corporation created under the laws of the State of Massachusetts, having an office and place of business at Charleston, W. Va., hereinafter called the company, party of the first part, and the United States, hereinafter called the consumer, represented by the Secretary of the Navy, party of the second part.

Whereas the Congress of the United States having declared by joint resolution approved April 6, 1917, that war exists between the United States of America and Germany; and

Whereas the national emergency required the construction of an explosive plant at Nitro, W. Va., which contract was authorized by the United States; and Whereas the Secretary of War and the Fuel Administrator of the United States requested that in the execution of the work and the operation of the plant, consideration be given to the conservation of fuel; and

Whereas the United States approved such a plan, and proposed the substitution of central station electric power for electric current generated at the explosives plant; and

Whereas under date of March 8, 1918, the United States Government and the Virginian Power Co. entered into agreements for the construction and installation of certain transmission lines, substations, generators, boilers, and auxiliaries therefor, in connection with the company's plant and power system at Cabin Creek Junction, W. Va., known as the construction contract, and for the delivery of power to the Government explosives plant at Nitro, W. Va., which latter contract is entitled "Contract for electric-power operating"; and

Whereas the signing of an armistice by the United States of America, the Allies, and the Central European Powers having brought about a cessation of hostilities, thus eliminating the need for the aforesaid explosives plant at Nitro, W. Va.; and

Whereas the United States no longer desires the delivery of electric power at said Government explosives plant at Nitro, W. Va., but desires that new arrangements be made for the delivery of said electric power:

Now, therefore, this agreement witnesseth, That the said party of the first part and the said party of the second part do covenant and agree to and with each other as follows:

First, The company will furnish and deliver and the consumer will take and pay for electric power for its requirements at the naval ordnance plant, South Charleston, W. Va., in the form of 3-phase, 60-cycle alternating current, at the pressure of approximately 44,000 and 66,000 volts at the high-tension switch at said naval ordnance plant, South Charleston, W. Va., in an amount not exceeding 20,000 kilowatts, based on a 90 per cent power factor, for the remainder of the fiscal year ending June 30, 1920. In case of necessary shut-down of the Government 20,000-kilowatt unit installed in the Cabin Creek power station of the company, the company will provide for service to the consumer capacity not exceeding 14,000 kilowatts, based on a 90 per cent power factor.

Second. The company agrees to furnish and the consumer agrees to take a minimum of 12,000,000 kilowatt-hour each and every year during the life of this agreement, as renewed from time to time beginning from date of commencement of service: *Provided, however,* That the minimum demand agreed to be furnished by the company and taken by the consumer during the fiscal year ending June 30, 1920, shall be a minimum average of 500,000 kilowatt-hour per month. If the consumer does not take the minimum amount of power contracted for, the difference shall be billed and paid for at the rate prevailing in the month or months in which the deficiency occurred.

Third. The company will endeavor at all times to furnish a continuous supply of electric power to the consumer; but the company will not be liable for any damage that the United States may suffer by reason of failure of the supply of electric power caused by accident or any other cause beyond the company's control. It is understood, however, that whenever possible the company will give the consumer notice of its intention to shut off the service, and that so far as possible the service will be shut off only at such times as will cause the consumer the minimum of inconvenience. As part consideration for this contract, the consumer agrees to reimburse the company for any costs or damages that may be awarded or adjudicated against the company by reason of injuries to persons or property accruing or resulting from any use of such electricity within the limits of the Naval Ordnance plant, except that the consumer shall not reimburse the company for injuries to the persons or property of the company's employees.

Fourth. The consumer agrees to pay the company for all electric power delivered and taken or contracted for by the consumer as recorded by the company's meter installed on the high-tension side at the Government substation located at the Naval Ordnance plant, South Charleston, W. Va., at the following rates:

A charge of 6 mills (\$0.006) per kilowatt hour, when the cost of coal to the party of the first part is \$1.75 per short ton delivered at the power plant of the company at Cabin Creek Junction, W. Va. Should the price of coal to the company at said plant per short ton be increased or decreased from the price

given above, the rate per kilowatt hour shall be increased or decreased one-tenth of a mill for each 10 cents of such increase or decrease. Bills for said electric power shall be rendered monthly by the company to the Government on or before the 10th day of each month for electric power consumed during the preceding month. Maintenance of meters at high voltage being difficult, it is agreed that the company may measure power delivered to the consumer at 6,600 volts, and adjust such measurement to measurement at 66,000 or 44,000 volts by using a factor representing the loss in transformation, which factor shall be determined by the Government.

Fifth. The consumer shall at all times have access to the plant and property of the company for the purpose of ascertaining if proper precautions are being taken for providing reserves in case of emergency, and further to ascertain whether equipment furnished by the Government is being properly maintained as required by this agreement, or for such other reasons as may be deemed necessary or desirable, and it is further agreed that the consumer shall have the right to advise the company regarding the operation of the plant or the maintenance of the equipment owned by the Government.

Sixth. The consumer shall advise the company from time to time of its prospective needs for electric power, in order that the company may more efficiently and economically operate its station, and at the same time provide the capacity required by the consumer.

Seventh. It is agreed and understood that the company shall have the right to operate the apparatus and equipment furnished by the Government for the generation of electric power at the Cabin Creek plant of the company whenever in its judgment it shall be considered necessary or desirable.

Eighth. The company shall have the right to connect up on Government line No. 2 an industrial load, the character of which shall be subject to the approval of the United States not exceeding an aggregate maximum demand of 3,000 kilowatts; in return for this concession the Government shall have the right to use the company's present two-circuit line from Cabin Creek Junction to Charleston, W. Va., for the delivery of electric power to the Naval Ordnance plant at South Charleston, W. Va., whenever occasion demands. In case of failure on the part of the company to deliver electric power of the required capacity over Government line No. 2 the aforesaid two-circuit line shall be capable of delivering a capacity of 14,000 kilowatts to the Naval Ordnance plant.

Ninth. In the event of dispute as to the accuracy of the company's meters, the consumer shall have the right to make a written request to have them tested and, if necessary, recalibrated, and, if found to be incorrect, proper allowance shall be made, but not for a longer period than 30 days prior to the time when written complaint of such inaccuracy is made. If the company's meters are found to be correct within 2 per cent above or below standard, the expense of the test and recalibration shall be borne by the consumer; otherwise the cost of the test and recalibration shall be borne by the company. If the meters of the company are found to be incorrect by more than 2 per cent above or below standard, then the bill for electric power from and including said 30-day period to the time of test shall be corrected accordingly; otherwise no allowance shall be made by either party. If for any reason the electric power furnished by the company and taken by the consumer shall fail to be registered by the meters, the amount of such power shall be determined by the consumer from the best available data, judged by previous registrations and by knowledge of the Government load, and payment therefor shall be made accordingly.

Tenth. The company will, during the life of this agreement, or as renewed from time to time, repair and maintain at its expense all apparatus and equipment furnished by the Government at the Cabin Creek plant of the company; and, further, the company will furnish all labor necessary to maintain in operation power transmission line No. 2 and the line from Charleston to South Charleston, the consumer to furnish all materials required for such maintenance of transmission lines.

Eleventh. The United States will, without expense to the company, supply all necessary rights of way for transmission lines on its property and a suitable place thereon for the installation of such equipment of the company as may be necessary for the supply or measurement of electric power to the consumer.

Twelfth. The consumer will not permit anyone to interfere with the meters or other appliances of the company, and will further take precautions for the protection and safe-keeping of such meters and other appliances.

Thirteenth. The company shall have the right of access to said premises at all reasonable times during the period of this agreement and on its termination for the purpose of reading meters or inspecting or repairing appliances used in connection with the furnishing of electric power under this contract, or for removing its property, and for any other purpose proper under this agreement.

Fourteenth. Under and by virtue of that certain contract for construction work by and between the Government and the Virginian Power Co., dated March 8, 1918, the United States will furnish necessary line materials, generators, boilers, substations, and auxiliaries, procure or cause to be procured necessary rights of way, and construct or cause to be constructed an electric transmission line extending from the company's plant at Cabin Creek Junction, W. Va., to the Naval Ordnance plant, South Charleston, W. Va., to be known as Government line No 2, and also a transmission line extending from the terminus of the company's present two-circuit line in the company's substation at Charleston, W. Va., to the Naval Ordnance plant, South Charleston, W. Va., adequate for the furnishing of electric power as herein provided. During the continuation of this agreement, or until such time as the contract to purchase is enforced, the company will pay to the United States semiannually, on or about the 1st day of July and the 1st day of January next following, covering the preceding six months' period, the following rental:

(a) For the generators, boilers, substations, and auxiliaries furnished by the Government and installed at the company's plant at Cabin Creek Junction, W. Va., an annual rental equal to 9 per cent of the cost of the demand capacity used by the company, after deducting from the total maximum demand of the Government and the company a demand equal to the company's agreed existing capacity, 20,000 kilowatts, plus the actual demand capacity furnished the Government, determined as follows:

Let A = maximum demand in k. w., measured at the company's plant at Cabin Creek Junction, W. Va.

Let B = total demand in k. w., measured at the outdoor substation at the naval ordnance plant, South Charleston, W. Va., in the same hour in which A is measured.

Let C = cost to the Government of the equipment furnished and installed by it at the company's plant at Cabin Creek Junction, W. Va.

Then $\frac{C}{20000} (A - (2000 \text{ plus } B)) = \text{cost of demand capacity upon which an annual rental shall be paid.}$

"Demand" as used above shall mean the kilowatt hours of output in one integral hour; maximum demand shall mean the demand occurring at the time of maximum load on the Virginian Power Co.'s system.

Fifteenth. In case of interruption of service due to causes beyond the control of either of the parties hereto, each party shall use the greatest possible speed in rectifying the cause of the trouble; in such case neither party shall have any claim against the other for damages caused by inability to give or take power as provided in this contract during the period of disability.

Sixteenth. The period of service under this agreement shall be from the date of the commencement of furnishing electric power to the consumer, and continuing thereafter until in the judgment of the Government the need for electric power under this agreement no longer exists; not extending, however, beyond June 30, 1920, except that after said date this agreement may be renewed from year to year, at the option of the Government, in order to insure continuous service.

Seventeenth. The Government, by its duly authorized representative, shall at all times be afforded proper facilities for the inspection of all plants and equipment engaged in furnishing services under this agreement, and at all times shall have access to the premises and to all books, records, correspondence, plans, drawings, receipts, and memoranda of every description of the company pertaining to said services.

Eighteenth. The Government reserves the right to terminate this agreement upon the termination of the period of service, as defined under clause 16 above; provided, however, that the Government shall give the company written notice 30 days prior to the date of termination of its intention so to do.

Nineteenth. The company agrees to purchase the equipment furnished by the Government to the company used in supplying electric power to the naval ordnance plant, except the transmission line along the K. & M. right of way, within three years from the date of receipt of written notice from the Government so

to do; provided, however, that the company shall not be forced to purchase the apparatus prior to June 27, 1924, or permitted to purchase same until they have received notice so to do, and that the Government shall have the right to renew this contract throughout this three-year period, as provided under paragraph 16 above. The price to be paid the Government for equipment purchased under this contract by the company shall be determined by a board of three members, one member of which shall be appointed by the Secretary of the Navy, one by the company, and the two members so appointed shall appoint a third. If either party dissents from the decision of the board, then the question shall be referred to the Court of Claims, whose decision shall be final. Nothing herein contained shall prevent the Government from disposing of its property at the best price obtainable, except that upon receiving an offer for the disposal of any portion of its property used in the furnishing or the transmission of electric power under this agreement the Government shall notify the company of the receipt of such offer and a preferential right of purchase shall be accorded the company, which right, however, must be exercised by the company within 10 calendar days after the receipt of such notice in writing.

Twentieth. In the event of the failure of the company to comply with the stipulations of this agreement, as hereinbefore set forth, the consumer shall have the right to procure the necessary electric power in such manner as may be deemed best for the interests of the Government. In case of failure of the company to so operate and maintain its power stations and transmission lines and the transmission lines and the property of the Government used by the company as to provide a suitable and continuous supply of electric power to the naval ordnance plant, South Charleston, W. Va., during the continuation of this agreement the consumer may require the company to make such changes in its operating force and equipment as shall in the opinion of the consumer be necessary in order to provide said continuous and reliable supply of electric power for the naval ordnance plant, South Charleston, W. Va., and such maintenance of Government property.

Twenty-first. No transfer of this agreement or of any interest therein shall be made by the company to any other party, and in case of the violation of this provision the consumer, reserving all rights of action for any breach of this agreement by the company, may refuse to carry out this agreement with either the transferer or the transferee. However, subject to the option of the Government to annul this agreement under the circumstances as stated above, should the company sell, dispose of, or transfer the plant and equipment to be used in the performance of this agreement to any other party or parties, such sale or transfer shall be made only on the conditions that the successor of the company in the ownership of the plant and equipment shall assume the obligations of this agreement and perform the stipulations therein set forth according to their true intent and meaning, said successor to be bound as fully and to the same extent by the provisions of this agreement as is the company.

Twenty-second. No Member of or Delegate to Congress, or Resident Commissioner, is or shall be admitted to any share or part of this agreement, or to any benefit which may arise therefrom, but, under the provisions of section 116 of the act of Congress approved March 4, 1909 (35 Stats., 1109), this stipulation, so far as it relates to Members of or Delegates to Congress, or Resident Commissioners, shall not extend or be construed to extend to any agreement made with an incorporated company for its general benefit.

Twenty-third. In the performance of this agreement the said company shall not, directly or indirectly, employ any person undergoing sentence of imprisonment at hard labor which may have been imposed by a court of any State, Territory, or municipality having criminal jurisdiction, nor permit such employment by any person furnishing labor or materials to said company for use in fulfillment of this agreement.

Twenty-fourth. The company shall hold and have the United States Government and all officers and agents thereof harmless from and against all demands of any nature or kind for or on account of the use and continued use of any patented article, combination, or process which may apply to or affect the articles, materials, or services furnished under this agreement.

Twenty-fifth. The party of the first part expressly warrants that he has employed no third person to solicit or obtain this contract in his behalf, or to cause or procure the same to be obtained upon compensation in any way contingent, in whole or in part, upon such procurement; and that he has not paid, or promised or agreed to pay, to any third person, in consideration of such procurement, or in compensation for services in connection therewith, any broker-

age, commission, or percentage upon the amount receivable by him hereunder; and that he has not, in estimating the contract price demanded by him, included any sum by reason of any such brokerage, commission, or percentage; and that all moneys payable to him hereunder are free from obligation to any other person for services rendered, or supposed to have been rendered, in the procurement of this contract. He further agrees that any breach of this warranty shall constitute adequate cause for the annulment of this contract by the United States, and that the United States may retain to its own use from any sums due or to become due thereunder an amount equal to any brokerage, commission, or percentage so paid, or agreed to be paid.

Twenty-sixth. Subject to the consent hereto of the Secretary of War or his duly authorized representative upon the signing of this agreement, the obligation of the Government to take and of the power company to furnish power under the "contract for electric-power operating," entered into under date of March 8, 1918, by and between the United States of America and the Virginian Power Co., shall cease and determine, but all other rights and obligations thereunder unless specifically modified herein shall remain intact.

In witness whereof the parties aforesaid have hereto placed their hands the date first hereinbefore written.

THE VIRGINIAN POWER Co.,
By _____.

RECAPITULATION.

Operating expenses:

Prorated on basis of increased demand.....	\$4,315.12
Prorated according to demand.....	3,759.80
Prorated according to energy.....	21,512.17
Segregated actual items.....	2,046.50
	<hr/>
	31,633.59

Fixed charges:

Interest prorated according to demand.....	\$12,371.00
Depreciation—	
Prorated according to demand.....	\$4,206.34
Prorated according to use.....	3,014.00
	<hr/>
	7,220.34
	<hr/>
	19,591.34

Total of operating expenses and fixed charges.....	51,224.93
Add 10 per cent.....	5,122.49

Total based on contract.....	56,347.42
Deduct amount paid to Dec. 31, 1918.....	42,309.93

Balance due based on contract.....	14,037.49
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Supplementary items:

Power commandeered by nitro.....	\$2,779.92
Cost of reblading No. 2 turbine.....	7,601.06
Excess boiler repairs.....	3,099.88
Increased cost of construction labor.....	5,050.70
Excess cost of operating labor.....	17,619.74
Increased cost of operating labor.....	28,283.11
Excess cost of coal, 1918.....	13,373.83
Excess cost of coal, 1919.....	60,500.00
Excess cost of replacement of material.....	18,557.93

Total.....	156,866.17
Add 10 per cent.....	15,686.62

Total supplementary items.....	172,552.79
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United States construction-contract items:

Items pending and / or disallowed.....	332.34
Pay roll checks unclaimed, etc.....	777.88

Total United States construction items.....	1,110.22
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Grand total.....	187,700.50
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EXHIBIT No. 2.

Memorandum.

The equipment, material, supplies, transmission lines, etc., which are transferred to the Virginian Power Co. by the United States of America by virtue of contract of which this memorandum is a part, consists mainly of rights of ways, poles, fixtures, hardware, conductors, insulators, transformers, switches, and appurtenances of same, also the hoist-house extension lean-to, and storehouse at Cabin Creek Junction, but equipment at Cabin Creek Junction which is contained in the list of material in the possession of the power company and to be used in constructing lines to the naval ordnance plant on rights of way owned by the Government or the transmission line on the Kanawha & Michigan Railway is not included.

The equipment, material, supplies, transmission lines, etc., transferred are more especially described in the following sheets:

U. S. 3.

Burnwell to Leeward, 4.53 miles, 44,000-volt, single-circuit, wood-pole transmission line, B-arrow arms, 2/0 stranded copper, 40-foot wood poles, Thomas disk insulators No. 1129, Thomas pin insulators No. 4000.

Wierwood to Milburn, 8.82 miles, 44,000-volt, single-circuit, wood-pole transmission line, wishbone cross arms, 2/0 copper conductors, 40-foot poles, Thomas disk insulators No. 1129, Thomas pin insulators No. 4000.

U. S. 3.

Changing copper on Sun-Pax line, 4.76 miles, from $\frac{1}{4}$ -inch copper clad to 2/0 stranded.

Changing copper on Paint Creek Co. line, 5.34 miles, from No. 2 solid copper to 2/0 stranded copper. Total length, 10.10.

U. S. 4

Layland, W. Va., 44,000-23 volt, wood substation, 3-300 K. V. A. Westinghouse transformers.

Berry to Layland, W. Va., 6.06 miles, 44,000-volt, single-circuit, wood-pole transmission line, wishbone cross arms, No. 2 copper conductors, 40-foot poles, Thomas disk insulators No. 1129, Thomas pin insulators No. 4000.

Layland, W. Va., 2,300-volt, wood-pole distribution line, 35-foot poles, Thomas disk insulators No. 1074, Thomas pin insulators No. 1009, 3/0 copper conductor. Total length, 15 miles.

U. S. 5.

Gamoca to Ansted, 5.75 miles, 44,000-volt, single-circuit, wood-pole transmission line, wishbone arms, $\frac{1}{4}$ -inch copper-clad conductors and ground wire, 40-foot poles, Thomas No. 1129 disk insulators, Thomas No. 4000 pin insulators.

Ansted, W. Va., 2,300-volt, single-circuit, wood-pole distributing line, No. 2 solid copper, 30-foot poles, Thomas disk insulators No. 1074, Thomas pin insulators No. 1009.

Ansted, W. Va., 1.05 miles 2,300-volt, single-circuit, wood-pole distribution line, 2/0 stranded copper, 30-foot poles, Thomas disk insulators No. 1974, Thomas pin insulators No. 1009.

U. S. 5.

44,000-2,300-volt, wood substation, 3-200 K. V. A. Westinghouse transformers, 30-foot poles, located at Ansted, W. Va.

U. S. 6.

Appalachian tie line, 12.1 miles, survey only for the line from Hot Coal to Mulles, W. Va.

U. S. 7.

Campbells Creek line, Dana to Big Bottom, 3.74 miles; 44,000-volt, single-circuit, wood-pole transmission line; bow-arrow arms; 40-ft. poles; $\frac{1}{4}$ " copper clad conductors; Thomas disk insulators No. 1129; Thomas pin insulators No. 4000.

U. S. 8.

McAlpin, W. Va., 44,000-2,300-volt, wood substation, 3-200 KVA Westinghouse transformers, 30' poles.

44,000-volt, single-circuit, wood-pole transmission line, bow-arrow crossarms; 40-ft. poles; Thomas disk insulators No. 1129; 2/0 stranded copper conductor.

McAlpin, W. Va., 0.04 mile, 2,300-volt, single-circuit, wood-pole transmission line; 30-ft. poles; 2/0 copper conductors; Thomas disk insulators No. 1074; Thomas pin insulators No. 1009.

U. S. 9.

Mordue, W. Va., 44,000-2,300-volt wood substation; 3-250 KVA Pittsburgh transformers; 30-ft. wood poles.

U. S. 10.

Emerson to Eunice, 3.36 miles H. T.; 0.46 mile L. T.; 44,000-volt, single-circuit, wood-pole transmission line; wishbone crossarms; 40-ft. wood poles; $\frac{1}{4}$ " copper clad conductors; 2,300-volt, single-circuit, wood-pole distribution line; 30-ft. poles; 2/0 copper conductors.

U. S. 11.

Paint Creek Coal Mining Co., at Benner, W. Va., 1.13 miles; 44,000-2,300-volt substation and 2,300-volt distribution line to mine No. 2; solid copper conductors.

U. S. 12.

Kellys Creek Colliery Co., Ward, W. Va., 0.52 mile, 2,300-volt, single-circuit, wood-pole distribution line from war substation to mine No. 5.

U. S. 14.

Powellton, W. Va., 0.208 mile H. T. 44,000-volt, single-circuit transmission line; wishbone crossarms; $\frac{1}{4}$ " copper clad conductor; and 2,300-volt, single-circuit distribution line to Vulcan mine, 1/0 solid copper conductors.

U. S. 15.

Vlacova, W. Va., 44,000-2,300-volt wood substation and 2,300-volt distribution line; No. 2 copper conductor.

U. S. 16.

Berlin, W. Va., 44,000-2,000-volt wood substation; 3-100 KVA Pittsburgh transformers; 30-ft. poles.

U. S. 17.

Beards Fork, W. Va., 44,000-2,300-volt wood substation; 2-200 K. V. A. Westinghouse transformers.

U. S. 18.

Minden, W. Va., 44,000-2,300-volt, double-circuit, steel substation.

Minden, W. Va., 0.23 mile, 44,000-volt, double-circuit, wood-pole transmission line; bow-arrow crossarms; 40-ft. poles; $\frac{1}{4}$ " copper clad conductors; Thomas disk insulators No. 1129; Thomas pin insulators No. 4000.

Minden, W. Va., 2.29 miles, 2,300-volt, single-circuit, wood-pole distribution line; 30-ft. poles; Thomas disk insulators; Thomas pin insulators No. 1009; 4/0 copper conductors.

One brick warehouse, including floor slab. Both warehouse and floor slab are supported by a concrete settling basin, the title of which remains vested in the Government.

One brick lean-to, being an extension of the Virginian Power Co.'s control room.

The extension to the Virginian Power Co.'s hoist house, this structure being of brick.

List of material to be transferred to the Virginian Power Co.

Quantity.

377	post type insulators No. 7130.
4,581	#4000 pin insulators.
2,280	#1129 strain insulators.
400	4400 pin insulators.
100	glass insulators—Brookfield.

Quantity.	
250	disconnect insulators #1104.
35	No. 1074 insulators.
96	2 pin cross arms.
800	galvanized $\frac{1}{4}$ " steel cable.
3, 310 #	#8 solid copper wire.
170, 106	4/0 copper stranded wire.
103	insulator plates.
525	$\frac{1}{4}$ " cast-iron washers.
400 #	railroad spikes.
1, 000	wood brackets.
1, 512 #	6"x12" channels.
24	galvanized cross-arm braces.
7	rolls 36" poultry wire.
24	1" turnbuckles.
24	$\frac{1}{2}$ " turnbuckles.
18	$\frac{3}{4}$ " turnbuckles.
18	1 $\frac{1}{2}$ " turnbuckles.
36	$\frac{1}{2}$ x1 $\frac{1}{2}$ " set screws.
100 #	7" boat spikes.
74	$\frac{1}{2}$ x18" machine bolts.
18	terminal lugs.
50	$\frac{1}{2}$ " Crosby clamps.
25	$\frac{1}{2}$ x4" lag screws.
400	2"x6" lag screws.
200	1 $\frac{1}{2}$ "x7 $\frac{1}{2}$ " standard belts.
500	$\frac{1}{2}$ "x2" machine bolts.
100	$\frac{3}{8}$ "x1 $\frac{1}{2}$ " machine bolts.
2	14" 2-sheave wood blocks.
2	14" 3-sheave wood blocks.
2	16" 3-sheave steel blocks.
1 $\frac{1}{2}$	gross #14 brass wood screws.
1	1 $\frac{1}{2}$ " pop valve.
4	quires emery cloth.
10	gross #7 2 $\frac{1}{2}$ " F. H. wood screws.
8	gross #7 1 $\frac{1}{2}$ " F. H. wood screws.
16	gross #7 1" F. H. wood screws.
1	set discs, 1 $\frac{1}{2}$ -2.
3	$\frac{1}{2}$ " hose connectors.
8	door locks.
10	$\frac{1}{2}$ " bolt tops.
11	$\frac{1}{2}$ " straight shank drills.
3	$\frac{3}{8}$ " straight shank drills.
2	$\frac{1}{4}$ " straight shank drills.
4	$\frac{1}{8}$ " straight shank drills.
6	$\frac{1}{4}$ " straight shank drills.
1	$\frac{1}{2}$ " stop cock.
2	#2 ejectors.
1	pair $\frac{1}{2}$ " hinges.
1	lubricator.
2	#6 pipe cutters.
627	$\frac{1}{2}$ x14" through bolts.
100	$\frac{1}{2}$ "x14" through bolts.
50	$\frac{1}{2}$ x18" through bolts.
3, 225	$\frac{1}{2}$ "x14" stud bolts.
16	8" H. P. ells.
200	3 bolt clamps.
200	$\frac{1}{2}$ x14" space bolts.
200	$\frac{1}{2}$ x4" lag screws.
53 $\frac{1}{2}$	lbs. Garlock packing.
1	2 $\frac{1}{2}$ " fire hose.
1	# $\frac{1}{8}$ " washers.
2	1 pt. brass lubricators.
1	gal. white enamel.
4	2" steel gaskets.
46	4" steel gaskets.
79	6" steel gaskets.

Quantity.

111	8" steel gaskets.
44	10" steel gaskets.
39	12" steel gaskets.
34	14" steel gaskets.
29	16" steel gaskets.
8	24" steel gaskets.
43	2½" steel gaskets.
11	3" steel gaskets.
500	½"×4" galvanized bolts.
75	½" washers.
250	½"×7" galvanized bolts.
9	4" H. P. ell.
41	1½" H. P. Ells.
9	3" H. P. ell.
7	4" H. P. ell.
45	3" L. P. ell.
4	4" L. P. ell.
2	3" blank flanges.
1	4" blank flanges.
12	2" floor flanges.
40	3" flanges.
12	4" flanges.
12	3" flanges.
3	½" gate valves 125#.
6	½" globe valves.
7	2" globe valves.
2	3" gate valves 125#.
1,372#	33 pcs. ½"×16" square rein, steel.
340#	25 pcs. ½"×16" rein, steel.
720#	30 pcs. ½"×16" round rein, steel.
6,500	Lee pin cones.
1	G 11 circuit breakers.
1	phase 44000 V Delta star airbrake switch.
300	2/o copper sleeves.
1	Burke horn cap arrester.
550	single band arrow arms.
1	2½×4' valve stem.
128	double band arrow arms.
250	standard bayonets.
3	200 Pittsburgh transformers.

Recapitulation covering settlement.

	Present values.	Agreed values.	Total for depreciation, 5 years.	Agreed future value.
			<i>Per cent.</i>	
Transmission line.....	\$240,970.72	\$225,104.56	35	\$146,317.96
Substation.....	42,282.30	38,054.07	50	19,027.04
Warehouse.....	56,102.00	50,491.80	11½	44,811.47
Holst house.....	6,907.60	6,216.84	11½	5,517.45
Lean-to.....	11,145.00	10,030.50	11½	8,902.07
	357,407.62	329,897.77		224,575.99
Stores at Cabin Creek.....	46,096.98	41,457.28	37½	25,929.55
	403,504.60	371,355.05		250,505.54
Plus stores yet to be billed, Virginian Power Co....	19,000.00	19,000.00		19,000.00
	422,504.60	390,355.05		269,505.54
Less costs incurred.....				167,700.50
Cash payment.....				81,805.04

EXHIBIT No. 3.

This deed, made this 28th day of August, 1919, between the United States of America, party of the first part, and the Virginian Power Co., a corporation created under the laws of the State of Massachusetts, and having its place of business at Charleston, in the State of West Virginia, party of the second part, witnesseth:

That whereas an agreement was entered into between the parties hereto on the 28th day of August, 1919, whereby the said party of the first part contracted for the consideration named in said agreement to grant unto the party of the second part all the right, title, and interest with the privileges and appurtenances thereunto belonging and vested in the United States of America in and to the rights of way conveyed to the party of the first part by the following deeds, respectively, recorded in the office of the County Clerk of the following-named counties in the State of West Virginia—

Fayette:	Book.	Page.
Mrs. Fannie Humphrey	46	607
Wm. Canterbury	46	605
Jeff Tyree and wife, E. K. Lively and wife	46	596
J. S. Lively and wife	46	602
G. W. Lively	46	603
C. S. Lively and wife	46	608
Roy Lively	46	593
George Lively, sr	46	589
R. Sutphin and wife	46	611
W. B. Honaker	46	601
J. W. Lively	46	599
Charley H. Davis and wife	46	587
Irvin Davis	46	590
Mrs. M. E. Wriston and Harold Wriston	46	609
James H. Winegrove and wife	46	596
Mrs. Elizabeth Winegrove (widow)	46	612
E. T. Winegrove and wife	46	595
L. O. Davis and wife	46	586
Solvay Collieries Co.	47	500
G. W. Lively		
J. B. Powers	46	592
Charles Tyree	47	502
George W. Williams		
Ephraim Creek Coal & Coke Co.	46	575
Mrs. J. E. Dearing (widow)	46	577
The Fire Creek Coal & Coke Co.	47	514
Beury Bros. Coal & Coke Co.		
Beachwood Coal & Coke Co.	47	516
G. W. Imboden and wife	47	505
T. D. Childress and wife	47	511
W. C. Nuckols and wife	47	512
Geo. C. Taylor and wife	47	507
P. P. Hendrick	47	509
Lynchburg Collieries Co.		
Midvale Colliery Co.	47	504
B. E. Turley and wife	46	581
Joseph Potter	46	580
P. H. Thompson and wife	46	584
Thomas E. Webster and wife	46	578
Thomas Elliott	47	136
E. L. Hornaby and husband	47	135
John Boken and wife	46	583
M. B. Treadway and husband	47	133
Kanawha:		
Paint Creek Coal & Land Co.	187	552
Howard Clay and wife	188	88
William Stone and wife	188	80
Mark Harless and wife	188	82
Charles Wolf and wife	188	71
Alex. Morton and wife	188	53
W. D. Lewis and wife	188	96
Norman F. Belcher and wife	188	50
William Walker and wife	188	55

Kanawha—Continued.	Book.	Page.
John Trigg and wife.....	188	84
J. L. Wilson and wife.....	188	92
R. H. Wiley.....	190	33
George W. Stanley and wife.....	188	94
Mrs. Rhoda McConihay.....	188	86
Hewitt Flowers and wife.....	188	77
Alfred Moss and wife.....	188	90
Grant Underwood and wife.....	193	291
Raleigh:		
Ida Farley.....	67	278

Now, therefore, for the consideration aforesaid, the said party of the first part doth grant, bargain, sell, and convey unto the said party of the second part all the right, title, and interests with the privileges and appurtenances thereunto belonging now vested in said parties of the first part under and by virtue of the deeds aforesaid, to which reference is made for a more particular description of the property hereby conveyed.

To have and to hold unto the said the Virginian Power Co., its successors and assigns, forever.

Witness the following signature and seal of the United States of America by its duly constituted contracting officer.

R. H. HAWKINS,
Lieutenant Colonel, Ordnance Department,
United States Army.

Witness:

HELEN HIETT.

NOTE.—The following deeds have not been recorded in the office of the county clerk of Fayette County, State of West Virginia; therefore the book and page numbers are shown in blank on this deed, but to be inserted when deeds are recorded:

George W. Williams.
Beury Bros. Coal & Coke Co.
Lynchburg Colliers Co.
G. W. Lively.

EXHIBIT No. 4.

List of material in possession of the Virginian Power Co. owned by the Government to be used in the construction of transmission lines to the naval ordnance plant, South Charleston, W. Va.

- 2 Sets 66,000-volt delta star air-brake switch.
- 156 Miles 2/0 stranded copper wire.
- 78½ Miles 5/16" galvanized stranded ground wire.
- 150 Anchor rods, 5/8 x 6' 0".
- 300 2/0 copper sleeves.
- 1,100 Hooks for suspension hangers.
- 1,050 Suspension hangers.
- 8,004 Locke suspension insulators.
- 12 Locke strain clamps.
- 12 Insulator yokes.
- 161 Type "M" transmission towers.
- 15 Side hill extensions, slope along line for "M" towers.
- 44 Side hill extensions, slope across line for "M" towers.
- 12 10' square extensions for "M" towers.
- 10 20' square extensions for "M" towers.
- 35 Type "P" transmission towers.
- 2 Side hill extensions, slope alone line for "P" towers.
- 10 Side hill extensions, slope across line for "P" towers.
- 2 10' square extensions for "P" towers.
- 3 20' square extension for "P" towers.
- 6 Type "S" transmission towers.
- 2 20' square extensions for "S" towers.
- Miscellaneous tools and camp equipment.

(Thereupon at 6 o'clock p. m., the subcommittee adjourned to meet again on call of the chairman.)

SUBCOMMITTEE No. 5 (ORDNANCE),
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Tuesday, October 14, 1919.

The committee met at 3.15 o'clock p. m. pursuant to call of the chairman, Hon. William J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

TESTIMONY OF EDMUND A. RUSSELL, OF LAKE FOREST, ILL.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Jefferis, I will ask you to conduct the examination of this witness in the first instance.

Mr. JEFFERIS. State your full name.

Mr. RUSSELL. Edmund A. Russell.

Mr. JEFFERIS. Where do you live?

Mr. RUSSELL. Lake Forest, Ill.

Mr. JEFFERIS. How long were you connected with the War Department?

Mr. RUSSELL. February 21, 1918.

Mr. JEFFERIS. To what time?

Mr. RUSSELL. I am still a member of the claims board. Up to August 5, I was ordnance district chief and chairman of the Chicago district claims board.

Mr. JEFFERIS. Well, was that the position that you first held?

Mr. RUSSELL. I was appointed by Gen. Tripp; in civil life he was chairman of the board of directors of the Westinghouse Co., and he appointed me chief of production of the Chicago district, and later I was appointed by Maj. Gen. Williams district chief; not only in charge of the production but all the work.

Mr. JEFFERIS. Can't you give in short form the different positions you held at the time you held them?

Mr. RUSSELL. Those are all the positions.

Mr. JEFFERIS. Then you were first appointed February 21?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. 1918?

Mr. RUSSELL. Yes; 1918; as chief of production of the Ordnance Department, Chicago district.

Mr. JEFFERIS. How long did you hold that position?

Mr. RUSSELL. I should say it was about three or four months after that they made the production chiefs, the ordnance district chiefs throughout the country. You know the country was divided up into some 10 or 11 districts.

Mr. JEFFERIS. Did that change your duties any, or just the title?

Mr. RUSSELL. Yes; it gave me authority over all the other divisions in the office, like inspection, and the personnel, and the entire works. I would be termed in military parlance the commanding officer, perhaps, although I was not commissioned.

Mr. JEFFERIS. When did you become a member of the claims board.

Mr. RUSSELL. Immediately upon the appointment of claims board, as district chief, I was made chairman of that district claims board.

Mr. JEFFERIS. When was that?

Mr. RUSSELL. Some time in November, or the first part of December, whenever they were formed.

Mr. JEFFERIS. 1918?

Mr. RUSSELL. 1918.

Mr. JEFFERIS. And you are still on the claims board?

Mr. RUSSELL. I am still on the claims board; yes, sir.

Mr. JEFFERIS. Chief?

Mr. RUSSELL. No; on August 5 my resignation was accepted as ordnance district chief and chairman of the board, and on the 12th I went away on a little outing trip, and came back on the 12th of September and have been constantly around.

Mr. JEFFERIS. Who is chief of the claims board?

Mr. RUSSELL. Col. Hughes.

Mr. JEFFERIS. What is his name?

Mr. RUSSELL. Everett S. Hughes.

Mr. JEFFERIS. He has been chief since August, 1919?

Mr. RUSSELL. No; upon my retirement I recommended the appointment by Washington of Lieut. Col. E. E. Arison, who was one of my assistants. He was appointed chief of the district claims board, which position he held until the first of this month, when Col. Hughes was appointed chief.

Mr. JEFFERIS. What has become of Arison?

Mr. RUSSELL. Arison is now on leave of absence, and is to receive his discharge along about the 21st or 22d of this month.

Mr. JEFFERIS. Would you call him a member of the claims board now?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. And will be until the time he is discharged?

Mr. RUSSELL. And probably afterwards. He is very familiar with all the contractors and the details of these different contracts and a very valuable member of the board. You see, our claims boards are not made up entirely of men in the Ordnance Department. Our principal man in the claims board is John J. Mitchell, president of the Illinois Trust & Savings Bank; he was appointed by the Chicago Clearing House Association to represent the people in the district.

Mr. JEFFERIS. Who appointed him?

Mr. RUSSELL. The Chicago Clearing House Association.

Mr. JEFFERIS. Did the Government have to make his appointment?

Mr. RUSSELL. They confirmed his appointment.

Mr. JEFFERIS. Who are "they?"

Mr. RUSSELL. The Ordnance Department.

Mr. JEFFERIS. How many are on that claims board?

Mr. RUSSELL. The claims board consists of five, but we had two or three alternates and invariably had a full board, and sometimes had six, and have had as many as seven.

Mr. JEFFERIS. What was your business before you got your appointment?

Mr. RUSSELL. Vice president of the Otis Elevator Co.

Mr. JEFFERIS. Did you retain your position in that?

Mr. RUSSELL. No; I devoted all my time to the Ordnance Department.

Mr. JEFFERIS. After your appointment?

Mr. RUSSELL. After my appointment; yes, sir.

Mr. JEFFERIS. Did you still continue to draw your salary from the Otis Elevator Co.?

Mr. RUSSELL. No; my salary was cut off.

Mr. JEFFERIS. Did you have anything to do with any contracts of the Otis Elevator Co.?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. For the Government?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. You were in charge for the War Department?

Mr. RUSSELL. The Otis Elevator Co. secured a contract for re-supersators for the 240-millimeter howitzer and I had a great deal to do with the securing of that contract.

Mr. JEFFERIS. Before you went into the service?

Mr. RUSSELL. Before I went into the service; that was in October, 1917, and I was devoting my time to that particular work. It was being gotten out in the Chicago plant of the Otis Elevator Co., and then Gen. Tripp came to Chicago to select chiefs for the district, and selected me, and I withdrew from the work at the Otis plant and went in as ordnance district chief.

Mr. JEFFERIS. Well, did you have anything to do then with regard to this Otis Elevator contract after you got in?

Mr. RUSSELL. My office did, but I was very careful not to pass on anything personally. I let my assistants do that.

Mr. JEFFERIS. Well, did you have anything to do with the making of the Standard Steel Car Co. contract, or procurement order?

Mr. RUSSELL. No; that was made before I was in the service. You see, that contract was along about October, I think, 1917.

Mr. JEFFERIS. What was that for, if you know?

Mr. RUSSELL. Nine hundred and sixty-four carriages for the 240-millimeter howitzer, Schneider design.

Mr. JEFFERIS. Was there any formal contract ever agreed to between the Government and this Standard Steel Car Co.?

Mr. RUSSELL. No, sir.

Mr. JEFFERIS. Have you got a copy at all of this order; this informal order?

Mr. RUSSELL. Oh, yes; we have a copy, sir.

Mr. JEFFERIS. Do you know what amount they were to have for each one of those carriages?

Mr. RUSSELL. The amount was to be decided upon; and the estimates to be made by the Standard Steel Car Co. and the Production Division in the Ordnance Department. They were to receive 10 per cent of that estimated amount.

Mr. JEFFERIS. Did you ever give any estimates?

Mr. RUSSELL. Oh, yes.

Mr. JEFFERIS. What was it?

Mr. RUSSELL. Washington was very anxious to have that amount decided upon so a formal contract could be drawn, and the Standard Steel Car Co. made up a very elaborate estimate of what they thought in their very best engineering ability the carriage would cost.

Mr. JEFFERIS. Do you know what it was?

Mr. RUSSELL. \$53,000.

Mr. JEFFERIS. Per carriage?

Mr. RUSSELL. Per carriage. And then the Chicago office, under my directions, had an estimate made by our engineers, and they estimated that those carriages were worth \$35,000 per carriage. Then they had a conference here in Washington with the Production Division and the Standard Steel Car people together, and the conclusion as to what profit they should be paid on the basis of the Ordnance Department estimate of \$35,000 they were to receive \$3,500. They would not consider it; they thought their estimate of \$53,000 was more nearly right, and they decided on \$40,000, or \$4,000 profit per carriage.

Mr. JEFFERIS. Do you know who represented the Government here?

Mr. RUSSELL. That had to go to the Procurement Division, and Col. Hughes was then in the Procurement Division under Gen. McRoberts.

Mr. JEFFERIS. Did he represent the Government in arriving at this \$4,000 per carriage?

Mr. RUSSELL. In connection with the men from the Production Division, and two men from the Chicago office, Messrs. Church and Vail, and two engineers that did the figuring.

Mr. JEFFERIS. Was Col. Hughes the one that was in charge of the arriving at the amount that was to be paid per carriage?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. As you understand it, they agreed that it should be \$40,000 per carriage?

Mr. RUSSELL. That was the estimate of the cost, and they were to receive 10 per cent of that, a fixed profit of \$4,000 per carriage; irrespective of what they did cost, they were to receive \$4,000 per carriage. If they cost \$60,000 they only got the \$4,000 per carriage; if they cost \$20,000 they got the \$4,000 per carriage.

Mr. JEFFERIS. In other words, they were sure of \$4,000 per carriage profit, regardless of what they cost?

Mr. RUSSELL. Yes, sir; there was a great deal of criticism——

Mr. JEFFERIS (interposing). About when was that agreed to?

Mr. RUSSELL. August.

Mr. JEFFERIS. 1918?

Mr. RUSSELL. 1918; yes, sir.

Mr. JEFFERIS. Do you know who was representing the Standard Steel Car Co. at that conference?

Mr. RUSSELL. Yes; Mr. John Hanson, the president of the Standard Steel Car Co.

Mr. JEFFERIS. Anybody else?

Mr. RUSSELL. I was not there; I think possibly Mr. Corey and Mr. Jenks was not there, I think.

Mr. JEFFERIS. Who is Mr. Corey?

Mr. RUSSELL. Mr. Corey is assistant to the President; and then they had Mr. W. W. Coleman, at the time of his retirement from the service was assistant to the Chief of Ordnance in charge of Artillery, and Maj. Bacon, who was Mr. Coleman's assistant; they were present at that conference.

Mr. JEFFERIS. Now, do you know what success they had in making these carriages?

Mr. RUSSELL. Yes, sir; they got under wonderful headway out there.

Mr. JEFFERIS. That does not tell me anything; how many did they get made?

Mr. RUSSELL. Well, now, the contract called for 964, and when the armistice came the question was how many carriages they wanted for the armament of the country.

Mr. JEFFERIS. How many had they made at the armistice?

Mr. RUSSELL. I will come to that. They decided on 300.

Mr. JEFFERIS. When; now?

Mr. RUSSELL. After the armistice.

Mr. JEFFERIS. Oh, after the armistice.

Mr. RUSSELL. And then they cut that down to 200, and they completed 200.

Mr. JEFFERIS. When did they cut it down to 200?

Mr. RUSSELL. Oh, I should say before the 1st of January, along there.

Mr. JEFFERIS. Who agreed to that?

Mr. RUSSELL. The Ordnance Department.

Mr. JEFFERIS. Who was representing it?

Mr. RUSSELL. I don't know how it was; I suppose the Artillery section here from the Staff.

Mr. JEFFERIS. Do you know who was at the head of that then?

Mr. RUSSELL. Col. Jenks and Col. Rose.

Mr. JEFFERIS. And you think it was about January 1 they cut it down to 200?

Mr. RUSSELL. That is about my recollection.

Mr. JEFFERIS. When was it it was cut down to 300?

Mr. RUSSELL. Before that.

Mr. JEFFERIS. But after the armistice?

Mr. RUSSELL. Oh, yes; before the armistice it called for 964.

Mr. JEFFERIS. There had not been any produced?

Mr. RUSSELL. No, sir.

Mr. JEFFERIS. Had they made any?

Mr. RUSSELL. They had any God's quantity of the parts made up; nothing completed and finally passed upon.

Mr. JEFFERIS. Do you know who represented the Government when it was cut down to 300 carriages?

Mr. RUSSELL. No, sir; that came from higher up.

Mr. JEFFERIS. Do you know whether there was any conference or not between any members of the company and the Government?

Mr. RUSSELL. No; I think not. I think it was an arbitrary decision as to how many they needed for the armament of the country.

Mr. JEFFERIS. There was not any formal contract in existence?

Mr. RUSSELL. No, sir.

Mr. JEFFERIS. So it was a matter that could be concluded?

Mr. RUSSELL. I don't think so.

Mr. JEFFERIS. You don't think so?

Mr. RUSSELL. No; they could not do that with you or me if you had orders for 964 carriages and preparations made to build them, to say, "I won't take any."

Mr. JEFFERIS. You say you couldn't do that?

Mr. RUSSELL. No; I don't think it would be fair or justice.

Mr. JEFFERIS. Did you have anything to do with saying whether the 200 were to be completed?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. What did you do?

Mr. RUSSELL. We did everything we could to get the 200 completed as quickly as possible.

Mr. JEFFERIS. When did you get them completed?

Mr. RUSSELL. I think it was along about the 1st of June.

Mr. JEFFERIS. 1919?

Mr. RUSSELL. 1919.

Mr. JEFFERIS. Were they delivered and accepted by the Government?

Mr. RUSSELL. Delivered and accepted.

Mr. JEFFERIS. Do you know to whom they were delivered?

Mr. RUSSELL. The inspector of ordnance accepted them and they were shipped, most of them, to the Erie Proving Grounds.

Mr. JEFFERIS. Do you know who the inspector was?

Mr. RUSSELL. Maj. Bayliss.

Mr. JEFFERIS. Now, was there some contract entered into by the Standard Steel Car Co. with some electric company?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. When was that?

Mr. RUSSELL. That was early in 1918.

Mr. JEFFERIS. What sort of contract was that?

Mr. RUSSELL. It was a contract for the electric wiring for the car lines and the lighting and motors, etc. It was given to them—they called themselves the Standard Electric something—a company not incorporated, we found out afterwards—on the cost plus basis. When they made that arrangement there was an officer stationed—

Mr. JEFFERIS (interposing). Now, let me get that. Did the Standard Steel Car Co. make this arrangement with the Standard Electric Co.?

Mr. RUSSELL. They made the preliminary arrangement, but it could not go into effect without the approval of the Ordnance Department.

Mr. JEFFERIS. Do you know who approved it?

Mr. RUSSELL. Yes; Maj. Park, who was the production officer at the Standard Steel Car Co. plant.

Mr. JEFFERIS. Was he a Government officer, you say?

Mr. RUSSELL. Yes; Maj. Park.

Mr. JEFFERIS. Go ahead and describe about that.

Mr. RUSSELL. Maj. Park approved this contract, and it was cost-plus basis, and it ran along and exceeded very much what we thought the amount should be for that work.

Mr. JEFFERIS. Well, in what regard; how much?

Mr. RUSSELL. Oh, it ran a very large amount. The original estimate was, I think, \$40,000 or \$50,000, and it ran away up to about \$180,000, or some such figure as that.

Mr. JEFFERIS. Was that something that you discovered out there yourself?

Mr. RUSSELL. Yes, sir. There are one or two very unpleasant things in connection with the Standard Steel Car Co. I do not know whether it has been brought to your attention or not. That is perhaps one of the reasons why the newspapers said more or less about it. This Standard Electric Co., I think you would call it an attempt to bribe one of the men of the Standard Steel Car Co., a man by the name of Schneider; they presented him with a very lovely chest of silver, delivered to his house, and I understand it cost about \$600.

When I heard of it, and I heard of it very soon after it happened, I ordered it sent back and ordered the Standard Steel Car Co. to take Schneider off the work. That was a subcontractor trying to bribe one of the employees of the Standard Steel Car Co. That was one.

Mr. JEFFERIS. Was that while the Standard Electric Co. was putting in this work?

Mr. RUSSELL. While the Standard Electric Co. was putting in this work. And it looked very wrong to me.

Mr. JEFFERIS. Especially in view of the fact that the cost was so far in excess?

Mr. RUSSELL. Yes; it looked awful bad, and I wanted the Standard Steel Car Co. to discharge Schneider. I did not have the power to discharge him; all I could do was to take him off the work, and he was taken off the work. And that was reported to the Military Intelligence and the Department of Justice, and they made very exhaustive investigations of the matter. And then there was another—would you like the other?

Mr. JEFFERIS (interposing). Yes.

Mr. RUSSELL. One of the young officers of the Army, at Hammond, Ind.; you are doubtless aware how the situation is there at Hammond and around Chicago—he had an automobile, and he thought he would like to trade it in for a better car, and he went to an automobile concern in Hammond to see if he could arrange for a trade, and they said they would allow him \$350 for his old car; it was not satisfactory, and he would not make the exchange. And later on they offered him \$750 for his old car, which he thought was all right, and he accepted it. And then I found out that Mr. Standard Electric Co. had paid the difference between the \$350 and \$750, so I hopped on that, and had them pay him back. Those are the two smelly things in connection with that.

Mr. JEFFERIS. Who was the Standard Electric Co.?

Mr. RUSSELL. The company was composed of two or three men; I do not know their names now; I do not recall. I would recall them if they were mentioned. I found they had done very good work in that district for the Mark Co., and also a great deal of work for the steel company at Gary, Ind., and had done very satisfactory work. The names of those men I can not recall, but they finally “busted.” They did not settle with their creditors for 100 cents on the dollar; I do not know just what they did pay. We held up on them and did not let the vouchers go through.

Mr. JEFFERIS. How much did you hold up on them?

Mr. RUSSELL. I do not recall now.

Mr. JEFFERIS. Did they ever get that amount afterwards?

Mr. RUSSELL. No; not directly.

Mr. JEFFERIS. Did they ever get it from the Standard Steel Car Co.?

Mr. RUSSELL. I don't know.

Mr. JEFFERIS. Did the Standard Steel Car Co. pay them in the first instance—pay this Standard Electric Co.?

Mr. RUSSELL. They would make payments and be approved by the proper officers in the Ordnance Department, and then be reimbursed. They would make oftentimes the official payments and have the thing checked up, and then the department would pay them. That is the usual procedure.

Mr. JEFFERIS. Do you know whether or not the Standard Steel Car Co. did make any settlement with this Standard Electric Co.?

Mr. RUSSELL. No, sir; I don't know what settlement they made.

Mr. JEFFERIS. You don't know even now?

Mr. RUSSELL. No, sir.

Mr. JEFFERIS. You don't know whether any amount was ever approved by any Government official for the Standard Electric Co.?

Mr. RUSSELL. No, sir.

Mr. JEFFERIS. What objection did the Standard Steel Car Co. have to discharging this man Schneider that you speak of?

Mr. RUSSELL. He was a very capable engineer, and they did not see that it was very wrong. I talked to them a number of times about it. The silver was delivered to his wife, and they claimed that Schneider immediately ordered it returned; that he would not accept it. They thought Schneider had not been very negligent, but I thought he had been.

Mr. JEFFERIS. With whom—what members of the Steel Car Co. did you take this matter up with?

Mr. RUSSELL. Mr. Jenks.

Mr. JEFFERIS. What is his position?

Mr. RUSSELL. He was assistant to the president, and at the Hammond plant of the Standard Steel Car Co.

Mr. JEFFERIS. Do you know what became of this man Schneider?

Mr. RUSSELL. They wanted to send him abroad on some work of the company, and I objected to his being sent out of the country on account of the Department of Justice looking into it, and it ran along for some time, and I understand he did finally go abroad, although he may be back at this time.

Mr. JEFFERIS. Do you know in what capacity he went abroad?

Mr. RUSSELL. For the company; just a commercial proposition.

Mr. JEFFERIS. What is this Standard Steel Car Co.; quite a big institution?

Mr. RUSSELL. Oh, yes; a whale of an institution. They have a big plant at Hammond, Ind., and one at Butler, Pa.; their main office is at Pittsburgh, and they have a plant at Worcester, Mass. They make standard passenger cars and freight cars. And you have all heard of Diamond Jim Brady; he died a few years ago. He was vice president of the company and a very successful salesman. I mention that to identify the company.

Mr. JEFFERIS. Do you know the leading stockholders in this Standard Steel Car Co.?

Mr. RUSSELL. I haven't the slightest idea.

Mr. JEFFERIS. You say the president is John Hanson?

Mr. RUSSELL. Yes; he was assistant to Mr. Vauclain, of the War Industries Board, at one time. I think Mr. Vauclain is president of the Baldwin Locomotive Co.

Mr. GARRETT. This company also controls the Baldwin company by stock ownership.

Mr. JEFFERIS. You say Mr. Hanson was his assistant at one time?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. During what time?

Mr. RUSSELL. During the main part of the war; I think from the time he came on the job in February until pretty near the armistice.

I did not keep track of him at all; I knew he was down here in Washington.

Mr. JEFFERIS. Do you know whether Mr. Corey was in Washington during the war?

Mr. RUSSELL. Oh, more or less; yes, sir.

Mr. JEFFERIS. What was he doing?

Mr. RUSSELL. The Standard Steel Car Co. had a number of contracts. They had this contract for the 240-millimeter carriage, and also a shell contract, and they had at the Worcester plant a contract for 155-millimeter carriages, and at the Butler plant, outside of Pittsburgh, I do not know just what they had there. They also had contracts from the Railroad Administration.

Mr. JEFFERIS. Making cars?

Mr. RUSSELL. Making cars; they had a great many contracts.

Mr. JEFFERIS. Were they making many cars for the Railway Administration?

Mr. RUSSELL. Oh, I would not know that. I knew they were making quite a few cars. I know they had a fire in their paint shop and destroyed a number of cars, and they said those were for the Government.

Mr. JEFFERIS. Where was that fire?

Mr. RUSSELL. At Hammond.

Mr. JEFFERIS. Were they making numerous cars at Hammond?

Mr. RUSSELL. I would not be in position to say that other than I had the shops pointed out to me, and they would say that was the shops. Other than the ordnance, I did not look into it; the only thing I was interested in was whether the ordnance material was getting on.

Mr. JEFFERIS. What sized plant have they at Hammond?

Mr. RUSSELL. Oh, a large plant.

Mr. JEFFERIS. A great many acres?

Mr. RUSSELL. I don't know how many acres.

Mr. JEFFERIS. Their business before the war was, as I understand, making cars?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. Were they doing anything else before the war?

Mr. RUSSELL. I don't know.

Mr. JEFFERIS. Passenger and freight cars?

Mr. RUSSELL. Passenger and freight cars; yes, sir.

Mr. JEFFERIS. Were there any buildings constructed by the Government or paid for by the Government there?

Mr. RUSSELL. Oh, yes.

Mr. JEFFERIS. What?

Mr. RUSSELL. I think we allowed them in the increased facilities, I think it was \$350,000 for buildings; I am not sure that figure is right. And then we allowed them for increased facilities about \$2,000,000, I think, for equipment.

Mr. JEFFERIS. For equipment?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. What kind of equipment?

Mr. RUSSELL. To make gun carriages.

Mr. JEFFERIS. You mean machinery?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. And tools?

Mr. RUSSELL. Yes, sir; and general increased facilities. You see, there were a lot of things. The Standard Steel Car Co. were very familiar with all kinds of pressed-steel work, because nearly all cars now are made of steel, and in connection with this gun carriage there is a great deal of pressed steel, and working it they got up some wonderful machines to do this work in connection with the gun carriage.

Mr. JEFFERIS. Did they make the machinery?

Mr. RUSSELL. They designed it; I don't think they made it.

Mr. JEFFERIS. Do you know who made it?

Mr. RUSSELL. No, sir; that would all be of record, because any machine that was ordered had to be approved by the production officer at the plant.

Mr. JEFFERIS. Who was the production officer at the plant?

Mr. RUSSELL. Maj. Park.

Mr. JEFFERIS. During all of the time?

Mr. RUSSELL. Not all the time. Maj. Park went on there, I should think, about in March, 1918. And then he was removed and then they put in Jesse E. Vail. Mr. Vail in private life had been general manager of the Fairbanks, Morse & Co., and later general manager of the Maxwell Motors Co. A very high-grade man. He was out there to approve these things, to see that nothing was expended that was not absolutely necessary.

Mr. JEFFERIS. Now, as I understand it, the Government paid about \$2,000,000 for machinery and tools?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. To be installed there?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. And what buildings did this \$350,000 go into?

Mr. RUSSELL. They added on—they had a car shop and they added on to that car shop; that is, extended it along. And then they put up a warehouse and numerous other buildings about there.

Mr. JEFFERIS. Did they build a hotel?

Mr. RUSSELL. They built a hotel just on the entrance; yes.

Mr. JEFFERIS. How big a hotel?

Mr. RUSSELL. About a three-story hotel, I think it was; about three stories.

Mr. JEFFERIS. Do you know what that cost?

Mr. RUSSELL. No; but it must have cost considerable money.

Mr. JEFFERIS. One hundred thousand dollars?

Mr. RUSSELL. Oh, yes; more than that, I should say. I never seen the figures, but I would say considerably more than that.

Mr. JEFFERIS. When was that constructed?

Mr. RUSSELL. During the summer of 1918.

Mr. JEFFERIS. Do you know how many rooms it has?

Mr. RUSSELL. No; I never was in it.

Mr. JEFFERIS. Mr. Russell, did you have anything to do with the passing upon the award and final settlement of this claim of the Standard Steel Car Co. recently?

Mr. RUSSELL. Yes; I had a great deal to do with it, in as much as I was in on it at the start and did most of the work on it—that is directing the work up to the final award. I was not present at the meeting on the award.

Mr. JEFFERIS. In other words, you were away—during what period?

Mr. RUSSELL. My resignation was accepted as of August 5, and I went away August 12 and came back September 12.

Mr. JEFFERIS. Mr. Russell, whatever between August 12 and September 12 you had no personal knowledge of or connection with?

Mr. RUSSELL. No personal knowledge; no, sir; only I had more or less mapped out what should be attempted to be accomplished.

Mr. JEFFERIS. Have you in your possession the original claim that was filed by the Standard Steel Car Co.?

Mr. RUSSELL. We have it of record; yes. It is a very elaborate and wonderfully well drawn-up claim. I haven't it with me.

Mr. JEFFERIS. Where is it?

Mr. RUSSELL. I think it is down in the Ordnance Department. I could get it for you. If it is not there, it is in the Chicago office.

Mr. JEFFERIS. Do you know when the original claim of the Standard Steel Car Co. was filed?

Mr. RUSSELL. June 24, 1919.

(Here followed informal discussion which the reporter was directed not to take.)

Mr. JEFFERIS. I do not care, so far as I am concerned, Mr. Graham, to cross-examine anybody about this unless I start in at the inception of it.

Mr. GRAHAM. Unless you can start with the claims, you mean?

Mr. JEFFERIS. Surely.

Mr. GRAHAM. Well, I think you are right about that. Did you want to ask the witness anything now, Mr. Garrett?

Mr. GARRETT. I had noted one or two questions here, but one of those would touch upon the claim proposition, so I shall not ask that.

Mr. Russell, you spoke of a Mr. Jenks, who was assistant to the president of the Standard Steel Car Co.?

Mr. RUSSELL. Yes, sir.

Mr. GARRETT. Was that the same gentleman who subsequently became an officer in the Ordnance Department? There is an officer by the name of Jenks.

Mr. RUSSELL. No; it is an entirely different man. Col. Jenks is at the head of one of the divisions here. He is a Regular Army officer. This is not the same man.

Mr. GARRETT. I think, Mr. Chairman, that is all.

Mr. JEFFERIS. I think I might ask one other question. Who was Col. Arrison?

Mr. RUSSELL. Col. Arrison was sent on to Chicago at my request—he was then Maj. Arrison—to help me out in the district office. He had been in Washington for a considerable period, and before going into the service was an efficiency engineer. He offered his services to the Government and received the commission of major. I needed somebody in Chicago that was familiar with manufacturing and metal work, and I liked Col. Arrison's general make-up, his type, his knowledge, etc., and I asked for his transfer to Chicago. He acted as one of my assistants.

Mr. JEFFERIS. You say he had been an efficiency engineer before the war?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. With what company?

Mr. RUSSELL. The Emmerson Co.

Mr. JEFFERIS. What sort of company is that?

Mr. RUSSELL. Well, they stand very well as engineers that are called in by big plants to look over their work. They stand very well. Mr. Emmerson writes a number of articles that are considered to be very good.

Mr. JEFFERIS. You mean it is a construction company?

Mr. RUSSELL. No; they are these engineers that are called in by big manufacturing plants to look them over and see whether they are turning out their work properly and whether they have the proper tools, and whether the work is flowing through their shop properly. They are called efficiency engineers. It is a good deal of the same general type, only in a smaller way, as the General Goethals Co.; you know they are called efficiency engineers.

Mr. JEFFERIS. Where is the Emmerson Co. located?

Mr. RUSSELL. In Chicago.

Mr. JEFFERIS. How old a man is Col. Arrison?

Mr. RUSSELL. I should say 45; between 45 and 50.

Mr. JEFFERIS. Has the Otis Elevator Co. settled its claims with the Government?

Mr. RUSSELL. I think not; I am not sure. I am not allowed to sit in on any claim or anything pertaining to the Otis Elevator Co. under the ruling from the War Department.

Mr. JEFFERIS. Do you know whether or not it has a claim pending?

Mr. RUSSELL. Yes—no; I think it was passed last week. I think it was before the board last week, on Friday. I was not in town Friday.

Mr. JEFFERIS. So I suppose you do not know what happened?

Mr. RUSSELL. No, sir; I have no knowledge of it.

Mr. JEFFERIS. How much did these 200 carriages cost apiece?

Mr. RUSSELL. I could not tell you. I have heard an estimate as to what they were costing.

Mr. JEFFERIS. Did not the Government pay for them when they took them over in June?

Mr. RUSSELL. Oh, yes; they paid for the work as it went along you know.

Mr. JEFFERIS. Paid for the work as it went along?

Mr. RUSSELL. Yes, sir; for the labor and all that.

Mr. JEFFERIS. And yet you do not know what it cost per carriage?

Mr. RUSSELL. I? Why, why should I be expected to know? I had a thousand contracts out there. I would not go into a thing like that.

Mr. JEFFERIS. I should suppose that if that was one of the principal contracts you would have had some knowledge about it.

Mr. RUSSELL. They have men out there—that could easily be dug out at any time.

Mr. JEFFERIS. Have you not any idea what it cost? You were chief, were you not?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. Have you not any idea what they cost?

Mr. RUSSELL. Yes, sir.

Mr. JEFFERIS. Can you tell us?

Mr. RUSSELL. I have told you I heard what they cost.

Mr. JEFFERIS. Well, what was it?

Mr. RUSSELL. Well, about \$23,000 apiece. They were getting down to that on the last ones.

Mr. JEFFERIS. That was the average cost, as you understand it?

Mr. RUSSELL. Oh, no; I do not understand it that way; no. The first ones cost away, away up.

Mr. JEFFERIS. Of course, that did not take into consideration this \$2,000,000?

Mr. RUSSELL. No. As I understand it, the labor and material that entered into them—not part of the increased facilities or proportion of the overhead expense—more or less a labor and material proposition.

Mr. JEFFERIS. Do you know whether the Government paid the company \$4,000 per carriage profit also during the construction?

Mr. RUSSELL. It paid nothing on profit until the final settlement of profit.

Mr. JEFFERIS. That is all.

(Thereupon, at 4.40 o'clock p. m., the subcommittee adjourned, to meet at the call of its chairman.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Wednesday, October 15, 1919.

The subcommittee met at 10 o'clock a. m. pursuant to adjournment on yesterday, Hon. W. J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis Garrett.

**TESTIMONY OF CHARLES A. REAGAN, OF BRIGGS & TURIVAS,
WESTMINSTER BUILDING, CHICAGO, ILL.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Reagan, where do you live?

Mr. REAGAN. In Chicago, No. 849 Cornelia Avenue.

Mr. GRAHAM. What is your age, lieutenant?

Mr. REAGAN. Thirty-three.

Mr. GRAHAM. Where you connected with the military department during the recent war?

Mr. REAGAN. I went through Fort Sheridan in the Reserve Officers' Training Camp, and at the close of the camp on account of having been connected with various firms engaged in the iron and steel business and in the business management thereof, they transferred me to the Ordnance Department with commission of first lieutenant.

Mr. GRAHAM. How long were you with the Ordnance Department?

Mr. REAGAN. From the 27th of November, 1917, until the 5th of June, 1919.

Mr. GRAHAM. Since your release from the service what have you been doing?

Mr. REAGAN. I am buying and selling iron and steel for Briggs & Turivas, Chicago.

Mr. GRAHAM. Are they what is commonly called scrap-metal men?

Mr. REAGAN. Scrap, iron, and steel; not metal.

Mr. GRAHAM. A well established firm, are they?

Mr. REAGAN. They are rated at over a million dollars, and did, I should say, last year a business around fifty million dollars, that turnover, or it was that volume of business handled.

Mr. GRAHAM. How old a firm are they?

Mr. REAGAN. The firm started in 1911 as Briggs & Turivas. Previously to that time both gentlemen had put in quite a number of years in the iron and steel business.

Mr. GRAHAM. Their financial standing is good, then?

Mr. REAGAN. Yes, sir; both gentlemen are about 41 year age and formerly employed by others in the same line.

Mr. GRAHAM. Since your connection with the service have you had at any time any relationship in any way with the Standard Steel Car Co. relative to the purchase of certain salvaged materials from their plant?

Mr. REAGAN. I called upon Mr. Jenks and Mr. Corey relative to handling the deal for them if the material was turned over to them.

Mr. GRAHAM. Who are they?

Mr. REAGAN. Well, I think Mr. Jenks was formerly a major in the position of plant manager, I think ordnance manager for the Standard Steel Car Co. I think Mr. Corey is one of their vice presidents.

Mr. GRAHAM. Of the Standard Steel Car Co.?

Mr. REAGAN. Yes, sir.

Mr. GRAHAM. Did you afterwards make a bid for the salvaged material that was in the establishment of the Standard Steel Car Co. at Hammond, Ind.?

Mr. REAGAN. We made a bid to the Ordnance Department Claims Board, trying to get the material, as we could not get any satisfaction from the Standard Steel Car Co. relative to handling the material for them or purchasing it from them if they got it.

Mr. GRAHAM. After you talked with them you got no satisfaction from them at all?

Mr. REAGAN. No, sir. They said they had their own organization and salesmen and that their organization was not particularly busy at the time on account of the fact that the Railroad Administration gave them no further car orders, and that they wanted to keep their own organization busy, and that they could best handle it themselves.

Mr. GRAHAM. When did you put in a bid for this material to the Government?

Mr. REAGAN. We put in our first bid I think the 19th of September, and followed that up by a supplemental letter on the 20th, a copy of which you have there.

Mr. GRAHAM. Was your letter on the 19th of September a formal bid?

Mr. REAGAN. Yes, sir. We bid in that letter some figure, I think, such as 15 per cent of the original cost without any work having been done on it; that is, the original cost of the United States Government. Then we made it a little more specific in this other letter here.

Mr. GRAHAM. In connection with your testimony we will let these letters of September 19 and 20 go into the record.

CHICAGO, September 19, 1919.

CHICAGO CLAIMS BOARD,
155 East Superior Street,
Chicago, Ill.

GENTLEMEN: 1. Referring to the materials at the Standard Car Co., at Hammond, Ind., and as inspected by us, we hereby offer you 15 per cent of the original cost value of the raw materials of this lot. Our proposition is based on the ground and we will load the material at our own expense.

2. We will also pay the storage charge on the materials purchased. We figure that we should be able to remove the material in 60 to 90 days.

3. It is important that we know in 48 hours time if our proposition is accepted.

4. Trusting it will receive favorable consideration at your hands, we are,
Yours very truly,

BRIGGS & TURIVAS.
By F. B. PARKER, General Manager.

CHICAGO, September 20, 1919.

CHICAGO CLAIMS BOARD.

155 East Superior Street, Chicago, Ill.

GENTLEMEN: 1. Referring to our bid of 15 per cent of the invoice cost price per pound to the United States Government for direct raw materials, which includes steel sheets, plates, bars, angles, channels, billets, I-beams, the majority of which are cut to size and partly fabricated; also rivets, bolts, nuts, screws, and so forth—from information furnished to us by the United States Government men at the Standard Steel Car Co. plant at Hammond, Ind., we figure that these should weigh out approximately 18,000 or 20,000 tons.

2. We are not in position to give an estimate of the amount of indirect materials, supplies, etc., on hand at the plant of the Standard Steel Car Co. as this information has not been furnished to us, but we will pay 15 per cent of the invoice cost price to the United States Government for this material.

3. For the component parts that are applicable to the products turned out by the Standard Steel Car Co. for the United States Government, we will pay the market prices for the materials used in the manufacture of such parts as they could only be used for scrap or remelting, which prices are as follows:

Forge scrap-----	per gross ton--	\$16.00
Steel bar and plate scrap-----	do-----	16.00
Steel bar and plate scrap, etc-----	do-----	16.00
Copper scrap-----	per pound--	.20
Yellow brass scrap-----	do-----	.11
Red brass scrap-----	do-----	.16
Lead scrap-----	do-----	.04½

We understand that there is not a large tonnage of this material.

Yours, very truly,

BRIGGS & TURIVAS,
By F. B. PARKER, General Manager.

MR. GRAHAM. To whom were those letters sent?

MR. REAGAN. The letters were sent to the Claims Board at Chicago. The one on the 20th sent by messenger and the one on the 19th does not state but I think it was also sent by messenger.

MR. GRAHAM. Did you ever hear anything from them?

MR. REAGAN. As to that we simply heard that our bid was not accepted, and that was all.

MR. GRAHAM. Did you hear that officially or in a roundabout way?

MR. REAGAN. Well, I do not know. Mr. Parker, our general manager, called up the Claims Board and asked them about it, and they said we did not get the material. And, naturally—and this is just an expression on my part, and I do not know whether you want it to go into the record or not—but we bid on everything from little things to great big plants, including the taking over of entire organizations and plants; and we bought plants from the Canadian Government and the United States Government outright, and we are able to handle propositions, and when we do not get one we bid on we just let it go, and that is all. We bid on lots of things we do not get in our line of work, and if we do not get the plant we bid on we simply forget it.

MR. GRAHAM. Well, now, were you present when the member of the firm talked to the Claims Board about this matter over the telephone?

MR. REAGAN. No, sir; I was not.

MR. GRAHAM. Did you ever speak to any of them yourself about it—to Col. Hughes or any other member of the Claims Board about this particular stuff?

MR. REAGAN. No, sir; not after we put in our bid. I had followed it up previously to that since around about the latter part of June.

Shortly after I got out of the service I made a trip to the Standard Steel Car Co. plant. Mr. Vail, who was in charge of production for the United States Government, told me he wanted us to bid on the material. But we did not bid or take the matter up further at all until Mr. Vail came to our office that morning and asked us to bid on the proposition, and said it was going to be bid in that day. We told him that it was pretty short notice, but Mr. Parker and Mr. Mandell and I jumped on the train and went to the plant and put in a bid that afternoon.

Mr. GRAHAM. They did not notify you until the morning of the day that bids were to be received?

Mr. REAGAN. No, sir.

Mr. GRAHAM. Mr. Vail then notified you?

Mr. REAGAN. Yes, sir.

Mr. GRAHAM. Did you make any sort of rough estimate of how much material there was at Hammond?

Mr. REAGAN. Surely. That was our business.

Mr. GRAHAM. How much did you estimate was there?

Mr. REAGAN. I estimated around 18,000 to 20,000 tons of what you might term direct material—that is, material which will remain on the finished product. Then there was a large amount of indirect material, and we could not tell the exact amount of that, on which we bid 15 per cent of the invoice cost.

Mr. GRAHAM. What do you think was the approximate value of the stuff that was over there—the cost value?

Mr. REAGAN. Well, we did not know what the cost to the Government was, because there were some very high prices paid. I had about 26 plants to look after myself when I was in the service, and I know that it costs lots of money to buy stuff, and Mr. Parker and I figured approximately around—oh, as a rough figure that there was around \$5,000,000 worth that we bid 15 per cent on.

Mr. GRAHAM. What did you estimate at the time that your bid would amount to?

Mr. REAGAN. Between \$500,000 and \$750,000; that it might run a little more or a little less. We also bid with the idea that we would pay storage charges of \$25,000 a month until we got the material out of there.

Mr. GRAHAM. And you would load it yourselves?

Mr. REAGAN. Yes, sir; that is included in the letter.

Mr. GRAHAM. So that what the Government got would be clear?

Mr. REAGAN. Yes, sir.

Mr. GRAHAM. What sort of material was it in general?

Mr. REAGAN. Well, there were plates—I made a note of it at the time, and thought perhaps you might ask that question, so I brought my notes along. There was steel sheets, beams, bars, angles, channels, billets, I-beams, nuts, screws, bolts, etc.—general material of that kind. Then there was a large amount of scrap. I think the material having a nickel content quite largely it might be considered scrap material. A lot of it was cut up and could not be used for new material for the quantity of nickel in it makes it rather hard to use for commercial purposes. There was heavy forging steel and plate scrap and copper scrap and yellow and red brass scrap. Our bid shows that we offered them scrap value, on a scrap basis.

Mr. GRAHAM. Did you figure that those steel plates and I-beams and angle irons, etc., were good for anything except scrap?

Mr. REAGAN. Well, it is rather hard to tell. It all depends when you get it out and what you can do with it. Sometimes you can use it for something else and sometimes you can not. We simply take a chance when we buy anything of that kind, and we buy it on our past experience and have some sort of judgment of what we can do. Naturally we are in business to make money and would not bid on anything that we could not come out clear on.

Mr. GRAHAM. Any questions, Mr. Jefferis?

Mr. JEFFERIS. Had your company, to your knowledge, informed anyone of the claims board prior to September 19 and 20 that you wanted to bid on this?

Mr. REAGAN. Absolutely.

Mr. GRAHAM. How did you do that?

Mr. REAGAN. I told Mr. Vail personally in his office I think—well, it must have been in July, though I would not say positively as to the date, but it was after I got out of the service—that I wanted to bid on the material; and I went down there and looked it over. I told Mr. Vail that and Mr. Vail came to see us that morning that bids were to be received and asked us to put in a bid on it. Everything seemed to be, speaking in plain English, in an awful hurry for some reason.

Mr. JEFFERIS. Who was Mr. Vail?

Mr. REAGAN. Mr. Vail was the production officer at the Standard Steel Car Co. plant.

Mr. JEFFERIS. Do you know what his business had been before he went there?

Mr. REAGAN. I think he was an engineer of some kind or another. I do not know positively but think he was in the automobile business as plant manager or as one of the directors for some big automobile corporation. I do not know what the name of it was.

Mr. JEFFERIS. He had been connected with the War Department for a short while, is that it?

Mr. REAGAN. I think he went into the service—well, he was out there in 1918. I first got on the job in Chicago in April and he was there when I first went to the Chicago district. I had heard of him previously to that time when I was at the Holt Manufacturing Co.'s plant at Peoria. You see we had an organization there of about 20 men, in the stores and scrap section, I did, taking in direct and indirect materials. That is, our department handled cost-plus contracts. That is how I came to know about this material there, etc. so forth.

Mr. JEFFERIS. In other words, that had been your business since you had been a young man, I take it—the iron business?

Mr. REAGAN. In the iron and steel business and as plant manager. Before I went into the service I was manager of the Bankers' Life Co., of Grand Rapids. That company had been sold, and I just thought I would try the insurance business. I had three or four young men working for me, and when the war came along I put in my application to Fort Sheridan, and it was accepted.

Mr. JEFFERIS. How long had you been in the iron and steel business?

Mr. REAGAN. Well, I had had experience along this line—one of the first businesses or positions I had had after I left school was with a railroad as switchman and brakeman on the Rock Island. Then I had been material man with the Union Switch & Signal Co., its branch on the Rock Island service, under R. H. Richards. I got tired running around the country and took up the matter of loss and damage claims with the Rock Island. I did not see any future in the railroad game and went with the Bakarost Co. We manufactured domestic-science and manual-training equipment for schools and colleges and kitchen cabinets.

Mr. JEFFERIS. During the time that you were in the service you were doing what?

Mr. REAGAN. I was manager of the stores and scrap section, having supervision of organization at various plants for the receipt, storage, and issuance of direct and indirect material, tools, and patterns and steel scrap. I had various plants scattered throughout the Chicago district—those that were operating on a cost-plus basis.

Mr. JEFFERIS. For how long a time had you charge of sales of scrap for the Government?

Mr. REAGAN. From April, 1918, until I left—around the 5th of June, 1919.

Mr. JEFFERIS. So in that time you became, in your own opinion, thoroughly conversant with the matter?

Mr. REAGAN. Well, I did not know it all. A man learns every day something about scrap.

Mr. JEFFERIS. But you had a pretty good idea of the subject?

Mr. REAGAN. A pretty good idea of what things were worth. Of course prices were set by the American Steel & Iron Institute, and all we had to do was to ask those prices, and a man could not get them unless he paid those prices. It was an understanding with the American Steel & Iron Institute that a man had to pay those prices in order to get the material.

Mr. JEFFERIS. Did Mr. Vail, on the morning of September 19, 1919, make any excuses for not giving you a longer time to prepare and perfect a bid for this material?

Mr. REAGAN. None at all. He called me up the day previously and stated the proposition was coming off, and I said, "Well, where can I see you, Mr. Vail, or what can we do to get in touch with the proposition?" He said, "Well, I have to be at the Ordnance Department at about 9 o'clock in the morning." He came in our office about 20 minutes of 8 on the 19th of September and was there just a few moments, when he left for the Ordnance office, and Mr. Parker and I and Mr. Mandell, one of our other representatives, went out to the Standard Steel Car Co.'s plant and made a hurried survey of the proposition.

Mr. JEFFERIS. Just what did Mr. Vail say to you that morning?

Mr. REAGAN. I could not recall the exact conversation. He said a bid was going to be—that the claim, rather, was coming up before the claims board, and he wanted us to bid on the material out there. We asked him how much time we had, and he said the bid had to be in that day.

Mr. JEFFERIS. They were going to pass on it that day, did they say?

Mr. REAGAN. So we understood.

Mr. JEFFERIS. How did you understand that?

Mr. REAGAN. Well, he said it was coming up before the claims board. One can not tell how long it will be worked on before it is passed—sometimes a week or two weeks—because members may be away, or something of the kind. It was our understanding it would come up that day.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you wish to ask any questions?

Mr. GARRETT. Mr. Reagan, there is one paragraph of this letter of September 20 that is not entirely clear to me, and that is paragraph 3. First I should say, perhaps, that in paragraph 1 it says, "Referring to our bid of 15 per cent of the invoice cost price per pound to the United States Government for direct raw material."

Mr. REAGAN. Yes, sir.

Mr. GARRETT. And you set out the matter generally. Then paragraph 2 refers to indirect material?

Mr. REAGAN. Yes, sir.

Mr. GARRETT. By the way, let me ask you first, what do you mean by "indirect materials"?

Mr. REAGAN. Indirect materials I have always classified as materials which are used to help construct the finished article contracted for but which are not a part of it.

Mr. GARRETT. In this particular contract, for instance, give us an example or two of it.

Mr. REAGAN. Well, there is belting of all kinds, reamers, and drills, and various chucks for lathes, and high-speed tool steel, stillette, and various things used to help get the article ready for final construction.

Mr. GARRETT. Would any tools be included in that?

Mr. REAGAN. Yes, sir; those are indirect materials. All tools, reamers, drills, and various things of that kind.

Mr. GARRETT. Now, coming to paragraph 3, and it reads: "For the component parts that are applicable to the product turned out by the Standard Steel Car Co. for the United States Government, we will pay the market prices for the materials used in the manufacture of such parts, as they could only be used for scrap or remelting, etc."

Mr. REAGAN. Yes, sir. Those are the parts which were already drilled and cut and things of that kind, that could not be used for anything else. They had constructed or made ready for final assembly a great many parts, having drilled them and cut them. They would take a piece of sheet steel and cut off various shapes and bore holes in it ready to set it up.

Mr. GARRETT. Such as red brass scrap and steel cast scrap, etc.?

Mr. REAGAN. Yes, sir.

Mr. GARRETT. What does the expression "market prices" mean? Does that mean prices for junk?

Mr. REAGAN. Yes, sir; market price is what the man selling the material can get for it.

Mr. GARRETT. That is what I was trying to get at. Whether you meant market prices for it as junk.

Mr. REAGAN. Yes, sir; those are the prices given, right there—\$16 a ton for the first three items and then on down for the brass and copper scrap.

Mr. GARRETT. The copper price is 20 cents a pound and the brass scrap 11 cents a pound?

Mr. REAGAN. Yes, sir; those are full market prices.

Mr. GARRETT. This represents the bid you made?

Mr. REAGAN. Yes, sir.

Mr. GARRETT. That is all I wish to ask.

Mr. GRAHAM. I believe that is all, Lieut. Reagan, and we thank you for your attendance.

(The witness was excused.)

(And at 10.30 o'clock a. m. the committee adjourned subject to call of the chairman.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Wednesday, October 15, 1919.

The committee reconvened at 4 o'clock p. m. on call of the chairman, Hon. William J. Graham (chairman) presiding.

Mr. GRAHAM. In the matter of the Standard Steel Car Co.'s claims and settlement, I offer for insertion in the record the original purchase order dated November 16, 1917.

Also a letter dated June 24, 1919, from the Standard Steel Car Co. to the ordnance district claims board at Chicago, and which accompanied the original claim.

Also a part of the claim filed by said claimant and consisting of three pages, but which is a recapitulation of the original claim as filed.

Also a record of drawing revisions furnished by the claimant and attached to its claim, consisting of two pages.

Also a letter extending the time for the completion of the work.

Also a letter of Maj. Hawkins of March 25, 1919.

Also a letter signed by Ross R. Harrison, Major, Ordnance Department, bearing date February 13, 1919.

(The several papers above referred to are here each severally printed in full, as follows):

NOVEMBER 16, 1917.

STANDARD STEEL CAR CO.,
Pittsburgh, Pa.

SIRS: 1. I am directed by the Chief of Ordnance to give you herewith an order for the articles listed below in accordance with the following terms and conditions:

Articles.—964 9.5-inch howitzer carriages, model 1918, Schneider, with transport vehicles, tools, accessories, and spare parts. (For Supply Division Account, after proof firing, see CP 400.13-61.)

Specifications.—The articles are to be built in accordance with "General Specifications Governing the Manufacture and Inspection of Gun Carriages, Artillery Vehicles, and Similar Ordnance Material," as given in Pamphlet No. 434, revised March 15, 1917, and also in accordance with "Special Specifications Governing the Manufacture of 9.5-inch Howitzer Carriages, model 1918, Schneider," and with drawings to be furnished by the Ordnance Department of the United States Army.

2. The recuperators and sights are to be furnished by the United States but are to be assembled to the carriage by the Standard Steel Car Co.

3. The wheels for transport vehicles are to be furnished by the United States, and are to be assembled to the vehicles by the contractor.

4. The carriages on this order will be numbered serially from 501 to 1464, inclusive.

5. The United States will specify the spare parts required at a later date.

Deliveries.—Delivery f. o. b. plant Standard Steel Car Co. at Hammond, Ind., to begin about May 1, 1918, and continue at the approximate rate of 10 carriages per day, and to be completed by October 1, 1918.

Shipping instructions.—Will be furnished by the Field Artillery section of the Ordnance Department.

Prices and terms of payment.—The United States will make the following payments to the Standard Steel Car Co.:

1. The cost of the work done on the article by the Standard Steel Car Co. determined in accordance with pamphlet entitled "Definition of 'Cost' Pertaining to Contracts," dated June 27, 1917, as the work progresses.

2. A fixed profit equal to 10 per cent of the estimated cost of the work done on the articles by the Standard Steel Car Co. determined in accordance with pamphlet entitled "Definition of 'Cost' Pertaining to Contracts." The representatives of the Standard Steel Car Co. and the Ordnance Department are to decide as soon as possible what part of the work is to be done by the Standard Steel Car Co. The Standard Steel Car Co. and the Ordnance Department are then to prepare estimates of the cost of this work to be done by the Standard Steel Car Co., and if they do not agree, a third party, selected by the Standard Steel Car Co. and the Chief of Ordnance, is to arbitrate the difference, and his decision as to the correct estimated cost is to be final for the purpose of computing the fixed profit.

3. An additional profit equal to 5 per cent of the purchase price of parts sublet by the contractor, the purchase price to be approved by the Ordnance Department.

4. Ninety per cent of the profits as determined in paragraphs 2 and 3 shall be paid upon the proper certificate of the contracting officer showing delivery and acceptance of the units, during the performance of the contract and the remainder upon completion of the contract.

5. If the Standard Steel Car Co. is unable to complete the articles because of the failure of the United States to deliver parts which the Standard Steel Car Co. is to assemble, but which are to be furnished by the United States, the Standard Steel Car Co. shall be paid 90 per cent of the profits on the articles 30 days after the Government inspector has certified that all other work has been completed.

6. The cost of increased facilities built by the Standard Steel Car Co. determined in accordance with pamphlet entitled "Definition of 'Cost' Pertaining to Contracts," and the cost to the Standard Steel Car Co. of increasing facilities contracted for by the Standard Steel Car Co. upon the proper certificate of the contracting officer of delivery and acceptance of the increased facilities.

7. Payments are to be made from time to time as the work progresses upon certificate of the representative of the Ordnance Department.

8. The jigs, fixtures, and test tools required shall be furnished by the contractor at cost.

Additional facilities.—1. The Standard Steel Car Co. is authorized to expend a sum not exceeding \$325,000 for extension to passenger car erection shop and \$30,000 power substation and equipment for the same, including transformers.

2. The United States will also provide such additional facilities as may be found necessary for carrying on the work, but in no case are such additional facilities to amount to more than \$750,000 for buildings and \$3,000,000 for other equipment. Any expenditure for additional facilities in excess of these amounts is to be borne by the Standard Steel Car Co.

3. All additional facilities are to be approved by the Ordnance Department, and contracts for the same are to be submitted for approval before being placed.

4. All additional facilities paid for by the United States are to belong to the United States.

Liquidated damages.—In the event that the contractor shall fail to deliver the articles according to the schedule of delivery provided for herein as completed articles, sets or lots, as the case may be, the contractor shall be in default under this contract, which default shall continue until such time as

articles, sets, or lots shall be delivered. When one or more parts of an article, or articles, or a set, or a lot are not delivered by the proper date, the completed article or the entire set or lot shall be classed as undelivered for the purpose of computing liquidated damages. For each day during which the contractor shall be in default on account of such deliveries, the United States shall deduct from the payments to be made to the contractor of account of fixed profit, one-tenth of 1 per cent of the amount named as fixed profit for each article, set, or lot of articles with respect to which the contractor shall be in default. The United States shall also deduct from the payments to be made the contractor on account of fixed profit adjusted, as aforesaid, such additional cost of inspection and superintendence, if any, as may be caused by any default of the contractor. In no event is the total deduction for liquidated damages to amount to more than 10 per cent of the profit.

Patents.—The United States assumes responsibility for patent rights as to vehicles, but not as to methods of manufacture.

Settlement of labor disputes.—In the event that labor disputes shall arise directly affecting the performance of this contract, and causing or likely to cause delay in making the deliveries upon the date or dates specified, the contractor shall address a written statement thereof to the Chief of Ordnance for transmission to the Secretary of War, with the request that such dispute be settled, and the contractor shall furnish such information and access of information within his control as the Secretary of War shall require; and it is stipulated and agreed that the Secretary of War may thereupon settle or cause to be settled such dispute, and that the contractor shall accept and comply with all the terms of such settlement.

Prison labor.—No person or persons shall be employed in the performance of this contract who are undergoing sentences of imprisonment at hard labor which have been imposed by the courts of the several States, Territories, or municipalities having criminal jurisdiction.

Child-labor law.—No work under this contract shall be performed by the labor of any child under the age of 14 years, nor between the ages of 14 and 16 years who is employed for more than eight hours in any workday or more than six days a week or before 6 o'clock a. m., or after 7 o'clock p. m.

Hours of labor.—The naval appropriation act approved March 4, 1917, providing for a basic eight-hour day and time and one-half for overtime will govern.

General provisions.—It is understood that in order to facilitate production and to keep the expenditure for increased facilities at a minimum, the Standard Steel Car Co. is to subcontract for all parts that it can not produce with its own facilities, and that if it is found necessary to increase their facilities, they will do so only on the approval of the Ordnance Department.

This purchase order is also subject to all other and usual provisions of cost-plus fixed-profit contracts of the Ordnance Department for similar material.

A formal contract is to be signed as soon as it is possible to determine the fixed profit as herein specified.

J. H. R.,
F. A.,

Lieutenant Colonel, Ordnance Department.

STANDARD STEEL CAR CO.,
GENERAL OFFICES, FRICK BUILDING,
Pittsburgh, Pa., June 24, 1919.

ORDNANCE DISTRICT CLAIMS BOARD,
155 East Superior Street, Chicago, Ill.

Subject: Termination of War-Order CF-331 and claim arising therefrom,
O. B. C. 552.

SIRs: The suspension and termination of War Order C. F. 331, between the Ordnance Department and the Standard Steel Car Co., involved a reduction in assembly and delivery of 240-millimeter howitzer mounts from 964 carriages and spare and replacement parts to a total of but 200 carriages without spares or replacement parts.

This reduction was requested when and after all other elements except processing and assembly involved in the agreement had been completed by the Standard Steel Car Co. Reference is made to thermometer chart, indicating the relation and percentage of effort expended in the completed elements:

Plant-development engineering, purchasing and expediting, tooling, preparation and percentage of processing and assembly, as represented by labor performed and its necessary supervision. The thermometer shows the project 82½ per cent completed.

War Order C. F. 331 was not an ordinary order for the manufacture and delivery of material, but was an order to accomplish a novel and unusual project never before attempted by any other country, and, in fact, beyond any other project for heavy field-artillery carriages planned by the United States Government.

The Standard Steel Co. now submits the following in amplification of the presentation of claim made March 31, 1919, in accordance with the act of Congress entitled "An act to provide relief in cases of contract connected with the prosecution of war":

1. That because proper drawings, designs, and specifications were not furnished, and because of delay of authorization, a period of six months elapsed following receipt of the order, during which time the earning power of the plant at Hammond was lost to the company.

2. That the percentage of profit to be paid for work done should be such proportion of the total profit as the cost of the work done bears to the cost of completing 964 carriages.

3. That remuneration is due for special services rendered in designing and development of novel machines and for the development of an economic method of manufacture of heavy-artillery carriages.

4. That reimbursement should be made of sums expended by the Standard Steel Car Co. on commitments entered into in good faith by the company and approved at the time by officers of the Ordnance Department.

5. That reimbursement should be made for losses sustained which were incidental to the carrying out of this contract.

6. That reimbursement should be made for depreciation of facilities provided by the Standard Steel Car Co. to enable it to fully carry out the terms of the agreement.

7. That compensation should be given for the occupancy of plant during the period following completion of suspended order and until the Government property is removed and plant is returned to normal condition, together with compensation for removing the Government property and restoring the plant to its normal condition.

8. That the car company be reimbursed for the sums expended by it on Government buildings in excess of such sums allotted for completion of these buildings.

9. That interest is due on profit for completed carriages, billed but unpaid; also on borrowed money.

10. That interest is due on all sums included in claims accruing from June 28, 1919, until paid.

In presenting this claim under the act of March 2, 1919, the car company does not admit that the purchase order was not a valid contract between the United States and the car company or that any validation is necessary under this act, but the claim is submitted in this form in deference to the opinion of the Comptroller of the Treasury and the action of the War Department in accordance therewith. The company does not waive the right to assert in the future or elsewhere that it is entitled to anticipated profits or to other items of claim under a valid contract. Nor does it waive its right to claim larger sums if settlement is not made by the War Department upon the claim now presented.

Respectfully submitted.

STANDARD STEEL CAR CO.,
J. M. HANSEN, *President*.

CLAIMS FOR OTHER COMPENSATION.

War Department, Purchase, Storage and Traffic Division, General Staff, Office of the Director of Finance.

Contractor, Standard Steel Car Co., Ordnance Department.

Address, Hammond, Ind. Contract or Order No. W. O. C. F.-331.

Articles contracted for, 964 howitzer carriages, 240-mm. Schneider, and spare parts.

Date of termination of work on this contract, June 28, 1919.

Date of inventory, ———, 191—.

The claims set forth herein are, in the opinion of the contractor, just compensation for losses actually incurred by it and due entirely to the termination or cancellation of this contract by the United States. It is necessary that the nature of the claims for compensation be fully stated below and clear proof, documentary when possible, be presented in support thereof.

Loss of earnings due to delays.....	\$1,000,000.00
Profits earned and accrued.....	2,134,215.02
Remuneration for special service rendered.....	890,908.36
Reimbursement for approved commitments.....	1,948,837.81
Reimbursement for incidental losses.....	322,250.53
Reimbursement for depreciation of facilities provided by car company.....	341,019.40
Compensation for plant occupancy after June 30, 1919.....	300,000.00
Reimbursement for sums expended on Government buildings....	65,780.32
Interest on profit and money borrowed—billed and unpaid.....	99,066.18
Interest on sums claimed from June 28, 1919.....	
Total, not including interest.....	7,102,057.62
Less payments made on account, in settlement of subcontract claims, to June 23, 1919.....	368,492.37
Total.....	6,733,565.25

Total not including interest item No. 10.

Due to the fact that this statement of claim was prepared before manufacturing ceased, expenditures and disbursements for the month of June are estimated.

RECAPITULATION SHEET.

War Department Purchase, Storage and Traffic Division, General Staff, Office of the Director of Finance.

Contractor, Standard Steel Car Co., Ordnance Department. Address, Hammond, Ind. Contract or Order No. W. O. C. F.-331.

Articles contracted for, 964 Howitzer carriages, 240 mm. Schneider and spare parts.

Sheet No. —.

Date of termination of this contract, June 28, 1919.

Date of statement or inventory —, 191—.

This form is to be used to list the totals of statement or inventory sheets for the purpose of showing the total amount claimed under each class, such as worked direct material, unworked direct material, etc.

Line No. 1. Statement or inventory of—	Amount.
Statement of claim, Finance Form No. 8.....	\$6,733,565.25
Total, not including interest.....	6,733,565.25

[Form 10 (revised) Chicago Ordnance District Claims' Board.]

STATEMENT OF CLAIM.

Contractor, Standard Steel Car Co. Address, Hammond, Ind. Contract or Order No. W. O. C. F.-331.

Article contracted for, 964 Howitzer carriages, 240 mm. Schneider and spare parts.

Date of termination of work on this contract, June 28, 1919.

Date of making claim, June 24, 1919.

This form is to be used by the contractor to formally state its claim on account of the termination of its contract with the United States. The total shown on this form should represent the entire amount claimed. Any deductions on account of advance payments or otherwise should clearly appear on the face of this form.

Classification of claims:

Unworked direct materials.

Indirect materials.

Worked direct materials.

Direct labor and overhead expense.

Commitments for materials or service.

Claims for other compensation.

Total of contractor's claim, not including item No. 10----- \$6,733,565.25

Record of drawing revisions:

Number of drawings covering parts furnished by S. S. C. Co----- 439

Number of drawings covering parts furnished by United States Government ----- 297

Number of drawings that have been made void----- 143

Total number of different drawings received----- 882

Drawings covering parts furnished by the S. S. C. Co.:

Total number of drawings received----- 439

Ordnance Department standard drawings included----- 14

Number of drawings remaining----- 425

Of the above 425 drawings—

52 drawings were revised 1 time.

61 drawings were revised 2 times.

56 drawings were revised 3 times.

40 drawings were revised 4 times.

42 drawings were revised 5 times.

33 drawings were revised 6 times.

33 drawings were revised 7 times.

29 drawings were revised 8 times.

23 drawings were revised 9 times.

10 drawings were revised 10 times.

9 drawings were revised 11 times.

9 drawings were revised 12 times.

4 drawings were revised 13 times.

2 drawings were revised 14 times.

1 drawing was revised 15 times.

Total number of revisions on 425 drawings, 1,982.

The 425 drawings have their last revision date in the months as shown below:

4 drawings have last revision date in December, 1917.

6 drawings have last revision date in January, 1918.

11 drawings have last revision date in February, 1918.

15 drawings have last revision date in March, 1918.

12 drawings have last revision date in April, 1918.

1 drawing has last revision date in May, 1918.

10 drawings have last revision date in June, 1918.

6 drawings have last revision date in July, 1918.

15 drawings have last revision date in August, 1918.

12 drawings have last revision date in September, 1918.

67 drawings have last revision date in October, 1918.

48 drawings have last revision date in November, 1918.

107 drawings have last revision date in December, 1918.

87 drawings have last revision date in January, 1919.

11 drawings have last revision date in February, 1919.

11 drawings have last revision date in March, 1919.

1 drawing has last revision date in April, 1919.

1 drawing has last revision date in May, 1919.

Of these 425 drawings, 161 are assembly drawings and drawings lists and have 379 revisions; 264 are detail drawings, and have 1,605 revisions.

I hereby certify that to the best of my knowledge and belief this is a correct statement, taken from the records and files of the Standard Steel Car Co.

F. F. KROGH,

Engineer in Charge of Drawings.

RECORD OF CHANGES DUE TO REVISED DRAWINGS.

Number of tool changes-----

Number of die changes-----

Number of pattern changes-----

Number of quantity changes-----

Number of specification changes.....	917
Number of method-of-manufacture changes.....	2164
Total number of changes.....	4482

I hereby certify that to the best of my knowledge and belief this is a correct statement taken from the records and files of the Standard Steel Car Co.

C. P. McCABE,

Engineer in Charge of Material Requisitions.

[Third indorsement.]

CARRIAGE SECTION, PRODUCTION DIVISION,

April 15, 1919.

To Artillery Section, Procurement Division.

1. It is the opinion of the Production Officer at the Standard Steel Car Co., Hammond, Ind., that the delays mentioned by the Standard Steel Car Co. were unavoidable and beyond their control and that the extension asked for in their communication of February 28th herewith should be granted.

J. G. SCRUGHAM,

Major, Ordnance Reserve Corps.

By W. E. PARK,

Major, Ordnance Reserve Corps.

[Fourth indorsement.]

CF 473.26 (331)-206

P 165.11-551

ORDNANCE OFFICE, ARTILLERY SECTION,

PROCUREMENT DIVISION,

April 18, 1918.

To the I. of O., Standard Steel Car Co., Hammond, Ind.

(Through the Inspection Division.)

1. As recommended by the preceding indorsement hereon, an extension of 60 days' time is hereby granted the Standard Steel Car Co. on the delivery of the 240 m-m Howitzer carriages ordered by Purchase Order War-Ord. CF-331.

By authority of the Acting Chief of Ordnance:

SAMUEL MCROBERTS,

Colonel, Ord. N. A.

By E. S. HUGHES,

Lieutenant Colonel, Ordnance, N. A.

[Room B-5-311. Tel. Br. 761.]

MARCH 25, 1919.

Maj. R. H. HAWKINS,

Standard Steel Car Co., Pittsburgh, Pa.

GENTLEMEN: 1. I am directed by the Chief of Ordnance to advise you that the United States will accept no more work or material from you which might have been contemplated under a certain purchase order dated November 16, 1917, and designated Purchase Order No. War-Ord-Ct-331, except such as may be necessary to complete 200 carriages, without spares or replacement parts. These 200 carriages include all carriages which have been delivered heretofore.

2. This cancels any portion of the so-called purchased order dated November 16, 1917, above referred to, except in so far as you may make deliveries of not to exceed 200, a total of 240-mm. howitzer carriages, including any howitzer carriages which you may have delivered prior to this date.

3. This supersedes all prior notices directed to you and relating to the above war-order number.

Respectfully,

R. H. HAWKINS,

Major, Ordnance Department, United States Army.

Contracting Officer.

Chicago district ordnance office.

ORDNANCE OFFICE, ADMINISTRATION DIVISION,
CONTRACT SECTION, ARTILLERY BRANCH,
February 13, 1919.

To: Army Inspector of Ordnance, Standard Steel Car Co., Hammond, Ind.

1. He is informed that the revised contract referred to within has been prepared, but not yet signed, providing for fixed profit of \$4,000 per carriage. This contract will be forwarded at the earliest possible date.

By order of the Chief of Ordnance.

ROSS R. HARRISON,
Major, Ordnance Department, United States Army.

**TESTIMONY OF CAPT. WILLIAM T. BIESEL, CAPTAIN, ORDNANCE
DEPARTMENT, UNITED STATES ARMY.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Captain, what is your full name?

Capt. BIESEL. William T. Biesel.

Mr. GRAHAM. Where do you reside?

Capt. BIESEL. Stationed at Cleveland, Ohio.

Mr. GRAHAM. And you are a captain in the Ordnance?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. How long have you been in the Army?

Capt. BIESEL. About four and a half years.

Mr. GRAHAM. You are in the Regular Establishment, then, are you?

Capt. BIESEL. Not at the present time; no, sir.

Mr. GRAHAM. What was your rank when the European war began?

Capt. BIESEL. Second Lieutenant.

Mr. GRAHAM. Now, what is your present business; at what particular business are you engaged?

Capt. BIESEL. After graduating as an attorney in New York State and finishing my course there, I went immediately into the Army and have been in the military service ever since.

Mr. GRAHAM. What particular function are you now performing?

Capt. BIESEL. Special assistant to the Cleveland claims board and survey officer for the claims board.

Mr. GRAHAM. As such officer, have you had anything to do with the settlement of the claim of the American Brake Shoe & Foundry Co.?

Capt. BIESEL. May I ask a question there?

Mr. GRAHAM. Yes, sir.

Capt. BIESEL. The American Brake Shoe Co. claim has not been finally settled; it is being negotiated for settlement—settlement is being negotiated at the present time.

Mr. GRAHAM. Well, have you been conversant with the facts about that matter?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Were you also there during the summer of 1918 so that you know what the practice was as regards inventories in the plant?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Was any change made, to your knowledge, in the system of inventory or invoicing in that plant during the year 1918?

Capt. BIESEL. There was not to my knowledge.

Mr. GRAHAM. No change in orders so far as you know?

Capt. BIESEL. No, sir.

Mr. GRAHAM. Well, after the signing of the armistice, when work shut down there, was any inventory made of the property at the plant?

Capt. BIESEL. There was.

Mr. GRAHAM. Under whose direction?

Capt. BIESEL. The direction of the Army inspector stationed at the plant at the time.

Mr. GRAHAM. As the result of that inventory was a shortage disclosed?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. And then was there a survey made?

Capt. BIESEL. The survey has not been completed; it has taken some time to price that shortage.

Mr. GRAHAM. As I judge from private conversation with you, two different amounts were estimated as the probable shortage; what were the facts about that?

Capt. BIESEL. There was one shortage in the storeroom of approximately \$165,000, which was really a paper and not a physical shortage.

Mr. GRAHAM. Well, now, we will get into this; you tell the facts about it and then we will ask you about that. What was the next shortage you found, if you found any?

Capt. BIESEL. Approximately \$1,000,000 shortage; that survey shortage has not been completely priced.

Mr. GRAHAM. Was the million dollar shortage in the loose material about the plant, or did it include fixtures of any kind?

Capt. BIESEL. It did not include fixtures; indirect material.

Mr. GRAHAM. By indirect material you mean, of course, materials that were used in making the products at the plant?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Such as tools, and tool steel, and that sort of thing?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Gauges and instruments of various kinds?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. What was the rule, Captain, that existed in that plant as to how supplies were furnished? Where did they come from? When supplies were furnished by the United States and unloaded at that place, where were they placed?

Capt. BIESEL. In Government stores.

Mr. GRAHAM. Were those stores in charge of Government officials?

Capt. BIESEL. They were after October, 1917.

Mr. GRAHAM. October, 1917; well when did the plant begin operations?

Capt. BIESEL. I believe about three months prior to that date; I was not stationed there at the time.

Mr. GRAHAM. Well, prior to October, 1917, and the appointment of the storekeeper, who had charge of those stores?

Capt. BIESEL. The Government cost accounting section.

Mr. GRAHAM. Now, was it the rule that as materials were called for from stores that anything was required?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. What was required?

Capt. BIESEL. A foreman's requisition from the department needing the material.

Mr. GRAHAM. The department needing the material would sign the requisition and it would be sent to somebody who had charge of the stores departments and the stuff would be checked out, I assume?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. And charged to that particular department?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Now, did the cost accounting section follow that program?

Capt. BIESEL. I am unable to say; I don't believe so.

Mr. GRAHAM. Do you know whether they had any checking method at all prior to the putting of the Government storekeeper in there?

Capt. BIESEL. Only in money value, I believe.

Mr. GRAHAM. You think that they simply checked the amount that it was worth?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Well, when the Government storekeeper came in there was a new inventory made?

Capt. BIESEL. Yes, sir; there was a new inventory made.

Mr. GRAHAM. Well, is the shortage on that inventory, is it on all the material that was furnished on the plant at all times?

Capt. BIESEL. All the material furnished at all times.

Mr. GRAHAM. From the beginning?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Where is the record kept of that material that was furnished from the beginning?

Capt. BIESEL. The money value is carried by cost accountants and the record of the material itself would be carried by the stores and scrap inspector at the plant.

Mr. GRAHAM. Well, there wasn't any such thing until the 1st of October, was there?

Capt. BIESEL. No, sir.

Mr. GRAHAM. Well, prior to that, then who kept the record of all the materials that went into that plant by articles?

Capt. BIESEL. I don't know of that record being kept. The money value was charged by the cost accounting section. It could be obtained—and the general idea was obtained by checking the cash vouchers of the cost accounting section who had paid for this material—who had vouchered this material prior to the storekeeper being stationed at the plant, and then the value of that material was charged against the storeroom as finally developed.

Mr. GRAHAM. Well, was it possible then, when the keeper of the stores made his inventory, for him to arrive at any fair and accurate estimate of the amount of goods that had come into that place, or did he simply invoice what he found there when he went in?

Capt. BIESEL. It was possible for him to arrive at a fair estimate of the goods material that had come into the plant.

Mr. GRAHAM. How did he do that: did he invoice that, and then from that on keep a record of the stuff as it came in?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. So that in your judgment at the end of the job the Government record showed with accuracy what had been received as materials on that job?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Well, now then, on that record you found there was about a million dollars' shortage when compared with the material?

Capt. BIESEL. Compared with the inventory.

Mr. GRAHAM. Yes; inventory which we assume was an accurate account of the stuff checked in and was long by about a million dollars?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. What kind of stuff was that mostly; you said there was secondary material, or what did you call it?

Capt. BIESEL. Indirect material.

Mr. GRAHAM. And was it mostly small articles as you detected it?

Capt. BIESEL. For the most part; yes, sir.

Mr. GRAHAM. What kind of things?

Capt. BIESEL. Wrenches; drills; steel used in cutting tools; and cutting-off tools; and bolts; screws; nuts, and things of that sort.

Mr. GRAHAM. Small amounts from time to time, but aggregating a large amount in the whole?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. During the time that plant was run was it guarded in any way, Captain?

Capt. BIESEL. It was; very effectively.

Mr. GRAHAM. Now, what sort of guard did it have around it?

Capt. BIESEL. They had men stationed around the entire plant, armed guards. There were representatives of the Military Intelligence Bureau stationed throughout the plant as operators; there was a private detective agency who had representatives at the plant; these men being all serving as mechanics and operators.

Mr. GRAHAM. Was there a fence around the plant?

Capt. BIESEL. The plant faces right up against the outside; that is, the outer wall of the plant is formed by the buildings themselves for the most part. The balance, of course, is protected by fencing.

Mr. GRAHAM. Were the workmen required to go there and to go through in any particular entrances?

Capt. BIESEL. They were, at which two policemen were stationed.

Mr. GRAHAM. Well, when they went out was any check taken of the men, what they were and what they were carrying?

Capt. BIESEL. There was; no man could pass the policemen with a bundle of any sort without showing an order from the shipping room.

Mr. GRAHAM. What about the gates where the vehicles went in and out; was that same system true there?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Did that system always exist from the beginning?

Capt. BIESEL. It did.

Mr. GRAHAM. You think prior to the time the Government store-keeper went in there that it was existing there?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Were you so informed by people who had been there; you were not there?

Capt. BIESEL. I was not there at the time, but from affidavits that I have obtained both from the Government representatives at the plant and from the contractor.

Mr. GRAHAM. What did you obtain affidavits for, Captain?

Capt. BIESEL. In reporting the survey to the local board.

Mr. GRAHAM. What sort of affidavits are they?

Capt. BIESEL. Affidavits as to the reasons for this shortage.

Mr. GRAHAM. Well, was it your duty to prepare such affidavits and disclose those facts to your superiors?

Capt. BIESEL. As survey officer for the claims board and assigned as special assistant on the brake shoe to present that claim, it was my duty; yes, sir.

Mr. GRAHAM. Well, "To present the claim," to represent the Government in the claim?

Capt. BIESEL. To represent the Government, yes.

Mr. GRAHAM. "To present the claim," you did not mean that, did you?

Capt. BIESEL. By presenting the claim I meant to say, I go over the claim to see that it is properly set up and then in the proper shape to be gone over by the board, making certain recommendations either for allowance or disallowance of the items.

Mr. GRAHAM. Well, have you made any recommendation about this shortage?

Capt. BIESEL. Not on the million-dollar shortage. I have on the \$165,000 shortage.

Mr. GRAHAM. What did you recommend on that \$165,000 shortage?

Capt. BIESEL. My findings were that the facts as set forth in the affidavits, that the shortage was due to overpricing, was not an actual physical shortage, but was a paper shortage, and recommended that no charge be made against the contractor.

Mr. GRAHAM. Well now, are you preparing your findings on the million-dollar shortage?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Have you arrived at your conclusion about what you will recommend in that?

Capt. BIESEL. Not finally.

Mr. GRAHAM. Well, in a general way, what are your conclusions? Are you going to recommend a waiver of that?

Capt. BIESEL. No; at the present time, unless there is some other evidence that has not been brought forth that the contractor be charged with the material which is excessive—that is, the shortage is excessive considering the proposition as a manufacturing project of the size that the brake-shoe contracts with the Government were.

Mr. GRAHAM. Well, do you think that they bought more material than they ought to; is that what you mean?

Capt. BIESEL. No; but that on nonexpendable items that the shortage is in excess of the material that would have been required to be used to complete the contract; that that amount should be charged against the contractor.

Mr. GRAHAM. Well, you believe—I judge from what you say, you believe it is a paper shortage, do you?

Capt. BIESEL. On the million dollar shortage?

Mr. GRAHAM. Yes.

Capt. BIESEL. Not entirely.

Mr. GRAHAM. What do you believe about it?

Capt. BIESEL. There are certain items of small tools, gauges, flash-lights, and things of that sort that I believe were taken from the plant; items that the workmen could put in their pockets and items that would not—material that would not be bulky. If there was any bulky object under a man's coat, that man was stopped by the policeman. So that it had to be something, and had to be taken out in such small quantities that it would not be apparent.

Mr. GRAHAM. Well, then, you think that there was considerable pilfering going on there?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Do you know how much it was? Have you any idea how much it was?

Capt. BIESEL. No; I have not.

Mr. GRAHAM. You have not arrived at any conclusion what you are going to recommend about that?

Capt. BIESEL. No, sir.

Mr. GRAHAM. What I am curious to know is how do you figure that the shortage is not all that way? How do you know that it is not goods that they used for something else or carried out of the plant? That is a very large shortage.

Capt. BIESEL. In the first place it could not be material that was carried out of the plant.

Mr. GRAHAM. Well, why?

Capt. BIESEL. Or material used by them for other purposes.

Mr. GRAHAM. Why?

Capt. BIESEL. It could not have been material carried out of the plant; they were engaged on nothing except Government work.

Mr. GRAHAM. Well, were they making anything except those shells?

Capt. BIESEL. They were making shells and they were making howitzers and spare parts and certain experimental parts in the shape of trench warfare shells and certain gauges, for instance, and sled used there.

Mr. GRAHAM. How did they know they did not use some of this stuff on their other work?

Capt. BIESEL. That would have been entirely possible, but it would not have affected the final adjustment.

Mr. GRAHAM. Well, it would on some particular contract, would it not; for instance, they had, if I remember, a contract for the making of a 9.2 shell, and they had a contract for making 155 millimeter howitzers?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. And also, I think, for some 155 millimeter shells?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Now, aside from that they had other contracts for other stuff, I guess, they were making partially in the same plant. Supposing they took something which was to make some of the guns—some of that material and used it to make something else; or some of their tools which were special facilities on that job, and used them for something else, and then they come to settle this particular contract; they get credit for this on their other contract, and yet they are lacking it on their other contract; if it is waived in one

instance they have to be paid for it and have it given to them in the other, don't they?

Capt. BIESEL. This shortage does not cover any one particular contract, but is an entire shortage covering all contracts.

Mr. GRAHAM. In the whole plant?

Capt. BIESEL. In the whole plant; it is not a particular contract shortage.

Mr. GRAHAM. It is a plant shortage isn't it?

Capt. BIESEL. It is a plant shortage.

Mr. GRAHAM. Then the Government did not differentiate between the material furnished on the different jobs; but the storekeeping and inventorying was done as a plant?

Capt. BIESEL. The inventorying was done as a plant; the shortage was shown to the plant. There were really three plants there, A, B, and C, and the material in each plant was carried separately, but the inventory was not of any particular plant; it was the entire plant.

Mr. GRAHAM. Now, where were the stores kept; in how many places?

Capt. BIESEL. There was one general storehouse.

Mr. GRAHAM. In what plant?

Capt. BIESEL. I believe it was in plant C.

Mr. GRAHAM. And were there other small storehouses?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Where were they?

Capt. BIESEL. Those were not carried by the Government; the general issues were made by the Government storeroom at the general storeroom, and were carried directly by the brake shoe; that would be customary in each department for the foreman to make his requisitions.

Mr. GRAHAM. What I am trying to get at is, supposing a man in plant A wanted some tools or something in his plant, there was a store in his establishment wasn't there?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. And the same thing in plant B was true?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Supposing a man was working on those houses that you built outside and wanted nails or bolts or tools, there was a place out there where he could go and get them, wasn't there, some place; he did not have to go into the plant and draw his stuff?

Capt. BIESEL. No; but that was carried in a separate account, everything that was used in connection with the housing. The shortage is not inclusive of any shortage on the housing proposition. All of that was carried in a separate item and the cost-accounting section paid for that material as delivered, and the lumber that was used in there so far as I know did not come into any storeroom.

Mr. GRAHAM. What about the nails and other hardware?

Capt. BIESEL. They would have to come into the general storeroom.

Mr. GRAHAM. Well, was there a system of accounting kept, or tracing of those, so that the foreman who went into the general storeroom, we will say, and took out a half dozen kegs of nails or some other hardware for housing and took it on the job, would be charged with that stuff?

Capt. BIESEL. No; there was not. We charged the Brake Shoe for any of their men. The quantity that went out of the storeroom being used in some other department that would be charged by the accountant to the cost.

Mr. GRAHAM. How would the foreman or man who had this get it out of the gate? Supposing he wanted it for the housing, we will say; supposing he wanted it for some other outside buildings, how would he get it out?

Capt. BIESEL. He would have to show his authority from the shipping department there, or shipping room, it is called. It would be really an order.

Mr. GRAHAM. Do you think material went out of those storerooms without requisitions, Captain?

Capt. BIESEL. I do; yes, sir; basing that upon the affidavits from the various stores' inspectors and from the men who were at the plant at that time.

Mr. GRAHAM. Did they state in their affidavits that that practice was common or uncommon, of getting stuff without requisitions?

Capt. BIESEL. They stated that it was done.

Mr. GRAHAM. Well, now, in case that was done, some man would go to the storekeeper and he would simply get out of there certain stores and take them away and in that case, I assume, no record would be kept at all; is that true?

Capt. BIESEL. They were not posted. That is a contingency, however, that you meet in every large manufacturing concern, the issuing of stores without proper requisition.

Mr. GRAHAM. I know, but you would not expect it in a Government plant, would you?

Capt. BIESEL. No; you would not.

Mr. GRAHAM. Supposing you were stationed in charge of a store and a man came there and wanted 20 kegs of nails, would you let him have them without a requisition?

Capt. BIESEL. I certainly would not.

Mr. GRAHAM. Well, who was responsible for that condition; who had charge of that while that practice was going on?

Capt. BIESEL. From the evidence and the affidavits it appeared that practice continued under the various inspectors that they had—the storage inspectors.

Mr. GRAHAM. Do you know their names?

Capt. BIESEL. I have here Capt. Herbst.

Mr. GRAHAM. Give us his initials.

Capt. BIESEL. Capt. F. W. Herbst and Lieut. James L. Mooney. I believe he was a lieutenant.

Mr. GRAHAM. They were stores inspectors?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Are those the only ones whose names you have, Captain?

Capt. BIESEL. Those are the only names I have.

Mr. GRAHAM. Well, that claim, then, is still pending and undisposed of?

Capt. BIESEL. It is.

Mr. GRAHAM. Can you give us any idea about when any action is proposed to be taken on it, Captain?

Capt. BIESEL. I can not, due to the fact that the cost accounting section at the present time is making a report, going back through all past purchases and finding the items that are properly chargeable. In other words, it is really a rechecking of the entire proposition.

Mr. GRAHAM. You have got a force of cost accountants at work out there, have you?

Capt. BIESEL. We have.

Mr. GRAHAM. How many men?

Capt. BIESEL. We have 10 men at the plant at the present time we put on.

Mr. GRAHAM. Mr. Jefferis, do you want to ask him any questions?

Mr. JEFFERIS. Have you any idea as to the amount of this indirect material that was brought there by that company?

Capt. BIESEL. I can not tell you that, sir.

Mr. JEFFERIS. Was it several million dollars?

Capt. BIESEL. Yes; you see the dormitories alone, or the amount that the Government paid for the dormitories, their proportion, was \$750,200; that is, not counting in indirect materials.

Mr. JEFFERIS. I know; but if there is an indirect material shortage there of practically a million dollars, consisting of such things as you have mentioned, they must have purchased several million of that, didn't they—tools and stuff?

Capt. BIESEL. Yes, sir. May I make a statement here?

Mr. GRAHAM. Yes, sir.

Capt. BIESEL. This shortage, too, is due to an overpricing by the storeroom—material purchase, we will say, at a time—let us take the item of drills—drills purchased at the time when they were low would come in and be charged on the book as low and would be issued perhaps a month later and the price had jumped, and meanwhile another order of drills had come in, and when they were issued they would be issued at the price at the last time; that is, that the last order came in. That made an overpricing, and on the final settlements, final adjustments, of this contract it was found that although the balance of indirect materials on hand and in plants for money value should be approximately \$500,000, the actual physical inventory appraisal and this physical inventory showed \$572,000, which is evidence right there that there was a great deal of overpricing.

Mr. JEFFERIS. That would be in your cost-accounting arrangement, wouldn't it?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. I am talking of your inventory and the things as they came in; they kept the number then, didn't they?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. How does that check out?

Capt. BIESEL. That is where the discrepancy shows, between their perpetual inventory and the inventory at the completion of the contract.

Mr. JEFFERIS. Now, as to the inventory of the material—leaving your cost out for the time—the shortage is a shortage of material?

Capt. BIESEL. As checked with the inventory.

Mr. JEFFERIS. Now, how much shortage of material is there?

Capt. BIESEL. That I can not give you. It is represented there in numerous small articles. There are about 300 pages.

Mr. JEFFERIS. And those small items consist of those tools?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. And things of that kind?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. You have not figured it up as to value?

Capt. BIESEL. Not completely; that is being done, and being figured at the present time.

Mr. JEFFERIS. Have you any idea as to where it will go as to value of that material?

Capt. BIESEL. I am saying approximately \$1,000,000.

Mr. JEFFERIS. Approximately a million dollars on material?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. Do you know about how many men worked there at any time?

Capt. BIESEL. I could not tell you that.

Mr. JEFFERIS. In a general way, thousands of men?

Capt. BIESEL. Yes; there were. That was brought out, I believe, in the prior testimony of the American Brake Shoe officials here. They were probably in a better position to give the exact number of men there than I would be.

Mr. JEFFERIS. Now, this other \$165,000 shortage was that in materials?

Capt. BIESEL. Yes; that was a direct storeroom account and represented practically the same items.

Mr. JEFFERIS. Well, do you think that went out, too?

Capt. BIESEL. No; I believe that is directly due to their overpricing and issuing without requisitions.

Mr. JEFFERIS. In other words, they did not get it on their books?

Capt. BIESEL. They did not get it on their books; they did not post it.

Mr. JEFFERIS. In other words, you think that material was actually used there in the plant?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. But was not posted?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. Do you have affidavits covering that?

Capt. BIESEL. I have.

Mr. JEFFERIS. What, in a general way, is the purport of those affidavits? I do not want to read them into the record, but what do they undertake to say?

Capt. BIESEL. The incompleteness of the record as carried at the storeroom at the time and by the purchasing officer, and the overpricing and overcharging of material, and also the issuing of material without requisitions. I believe that this could have all been avoided had the records been kept properly.

Mr. JEFFERIS. Now, did the company itself keep any separate records?

Capt. BIESEL. They did.

Mr. JEFFERIS. Have you gone into their records in any way?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. What do their records show?

Capt. BIESEL. Their records showed on the charges from the stockroom as originally charged to the stockroom, \$2,480,000, and as charged off by the cost-accounting section, which has credited that to the stock account \$1,880,000 and some odd figures, which I am

not giving, leaving a balance charged against the stock account of approximately \$500,000. Now, when the physical inventory was taken I find it showed stock on hand of \$572,000, merely—

Mr. JEFFERIS (interposing). So according to their record there was more stock on hand than what they were entitled to?

Capt. BIESEL. There was more stock on hand than what they were entitled to, as shown by their books.

Mr. JEFFERIS. By their books?

Capt. BIESEL. And the Government accountant's books.

Mr. JEFFERIS. Both were wrong?

Capt. BIESEL. Both the Government accounts and the contractor's books agree.

Mr. JEFFERIS. They did agree?

Capt. BIESEL. They agreed at that time, because they are working from money values. That \$572,000 they immediately charged \$71,000 back to stock.

Mr. JEFFERIS. That should be on hand?

Capt. BIESEL. That was practically on hand at the inventory.

Mr. JEFFERIS. The other 350 affidavits that you have, do they purport to show that these indirect materials were pilfered out of there?

Capt. BIESEL. They set forth that that was possible and undoubtedly did occur, but that every known method was used to prevent it.

Mr. JEFFERIS. Who are producing the people to make these affidavits—the company?

Capt. BIESEL. No, sir; the Government representatives at the plant, the company officials, and the accountants; their affidavits are taken.

Mr. JEFFERIS. Well, are they all making an affidavit to the effect that it was possible for it to be pilfered?

Capt. BIESEL. No; the company makes that affidavit.

Mr. JEFFERIS. The company makes the affidavit that it was possible that these indirect materials could be pilfered?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. Have you any other affidavits of any other purport?

Capt. BIESEL. The affidavits of Capt. Herbst to the effect that it is undoubtedly a paper shortage; the affidavit of the accountant in charge, Mr. Kinsey, Government representative, to the effect that it is undoubtedly a paper shortage.

Mr. JEFFERIS. Well, they would naturally make them to clear themselves, wouldn't they?

Capt. BIESEL. Not necessarily, under the terms of the contract.

Mr. JEFFERIS. Well, wouldn't it look sort of queer; as if they had not been looking after things there properly?

Capt. BIESEL. The fact that they are admitting a paper shortage shows that it is directly against them rather than in favor of them; it showed that the records were not completely kept.

Mr. JEFFERIS. Well, in other words, it is admitting on their part, so to speak, that they did not keep the records correctly, and therefore the company should not pay for it; is that it?

Capt. BIESEL. Under the terms of the contract the company can not be held responsible, except where willful default or negligence is shown.

Mr. JEFFERIS. Well, I say, the purport of Herbst's affidavit, and so forth, would be to excuse the company from any liability?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. And that is true of this other accountant, is it? What is his name?

Capt. BIESEL. Mr. Kinsey.

Mr. JEFFERIS. You say it is true of him, isn't it?

Capt. BIESEL. That would be apparent; that is, would not have that purpose, but the affidavits as attached to this survey actually do.

Mr. JEFFERIS. Did Mooney make an affidavit, too?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. How long had these men, Kinsey, Mooney, and Herbst, been up there at this company plant?

Capt. BIESEL. Capt. Herbst was there shortly after the plant started operation and was there up until about October 14, I believe, of 1918; and Mr. Mooney was there, I believe, subsequent to that time; and Mr. Kinsey was there directly after Mr. Robinson, practically during the entire life of the contract.

Mr. JEFFERIS. So you, as surveying officer up there, are having these affidavits submitted to you; is that it?

Capt. BIESEL. Asking for affidavits setting forth the facts in the case.

Mr. JEFFERIS. So that you can arrive at some recommendation; is that it?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. And on the part of the company you have affidavits indicating that it was possible for the workmen to carry out this indirect material in small quantities?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. Then, on the part of the Government, so to speak, the inspector there undertaking to make affidavits indicating that it was a paper shortage rather than an actual shortage?

Capt. BIESEL. Yes, sir.

Mr. JEFFERIS. And then you are to try to guess between them, or whatever insight you can get into it as to what shall be done; is that it?

Capt. BIESEL. That is practically it. My recommendations are based merely on the investigation of the facts which is approved or disapproved by the claims board representing that district, and in turn before it becomes effective it finally has to be approved by the Secretary of War or his representatives.

Mr. JEFFERIS. Well, have you in any way in checking this inventory found anything in it that seemed to be wrong, so far as you can see?

Capt. BIESEL. Certain items that are expendable that are excessive. As I stated before, I believe that the contractor should undoubtedly be charged with those; I do not think there is any question about that.

Mr. JEFFERIS. Just what do you mean by "excessive;" certain items were excessive?

Capt. BIESEL. If you require a certain amount of material to complete a contract and your shortage at the end of that contract, plus the material furnished under the contract that had been actually used is in excess of the normal amount that would be required under manufacturing conditions to complete the original contract, I would

say that the amount over and above that is excessive and should be charged directly against the contractor.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you desire to ask him anything?

Mr. GARRETT. Capt. Biesel, when was this shortage first discovered?

Capt. BIESEL. Not until after the inventory was completed. There was believed to be a shortage there. I went to the plant several months ago, and in checking up the card records found that there were a great many irregularities appearing on the purchase of increased facilities, items which should be chargeable to cost, which were charged to increased facilities. Investigation, however, brought out that the cost accountant had made a charge against cost and a credit to increased facilities on past summaries in order to correct these irregularities.

Mr. GARRETT. Will you just explain to me, please, what you mean by a charge against cost?

Capt. BIESEL. I may have to go back into the contract a bit, if you have no objection. The contract is a cost-plus contract with a participating profit clause; in those contracts it sets up what items will enter into the cost on the completion or termination of such a contract, the cost is finally adjusted, and if the cost per unit is less than the estimated cost under the terms of the contract, then the contractor is entitled to either 30 per cent or 50 per cent of the saving to the United States Government, known as participating profits. Now, increased facilities are never figured into the cost of the production.

Mr. GARRETT. They get no plus on the increased facilities?

Capt. BIESEL. On the increased facilities. That is only on participating profits; it hasn't reference to the cost end. Now, any item that is charged to the cost of production that should be charged to the increased facilities reduces the cost of production and increases by the percentage of the participating profits that is allowed the amount due the contractor as profits on his participating profits.

Mr. GARRETT. It would be to the interest of the contractor to have as much as possible charged to cost; is that it?

Capt. BIESEL. Directly the other way; it would be to the interest of the contractor to have as much as possible charged to increased facilities.

Mr. GRAHAM. In that kind of a contract; in a participating contract. If it was the other kind of a contract, the other would be?

Capt. BIESEL. Yes; if it was a cost-plus without a participating clause.

Mr. GARRETT. Now, you say you went there some time ago and examined the card indexes and found things charged to increased facilities that should have been charged to cost?

Capt. BIESEL. Yes.

Mr. GARRETT. Was that the first suspicion of shortage, or do you know?

Capt. BIESEL. So far as I am concerned, it was.

Mr. GARRETT. You had heard nothing prior to your going there and making this investigation of the card indexes of there being a possible shortage?

Capt. BIESEL. Not of a possible shortage. Over a year and a half ago when I was there I noticed that the cards kept by the property manager were not kept as full as they should have been.

Mr. GARRETT. Well, did you verify, almost immediately after the visit to which you have referred—some months ago; did you verify your suspicions? In other words, did you continue the work right along then?

Capt. BIESEL. I placed some men—assigned some men immediately to check the increased facilities and make a report on what items had been charged to increased facilities that should have been charged to cost. That will be furnished to the Cost Accounting Section. It is believed—I believe that certain of those items have already been adjusted by Mr. Kinsey, but we were unable at the present time to find his papers.

Mr. GARRETT. Well, now, I want to, if I can, get a little clearer idea than I have at the present time about the meaning of the expression “paper shortage.” That would occur only in cases where errors had been made as to the prices charged the contractor in the distributing office, the Government distributing office?

Capt. BIESEL. That would be one of the elements.

Mr. GARRETT. What other elements, now, would enter into this matter that you call a paper shortage?

Capt. BIESEL. Besides the pricing would be the failure to post either the incoming material received or material issued.

Mr. GARRETT. Failure on the part of whom?

Capt. BIESEL. The Government distributor that you have referred to.

Mr. GARRETT. Any other element?

Capt. BIESEL. Not that I know of that would enter directly.

Mr. GARRETT. Well, now, how would that failure to post constitute a mere paper shortage, which, if he did not post them, if he did not keep an account of them, why would it be—or at least given an opportunity for just plain stealing?

Capt. BIESEL. Well, the entries of incoming material were posted. The point that I intended to raise was that the material that was issued out or distributed in many cases was not posted.

Mr. GRAHAM. That is what he is asking you, Captain; why doesn't that give an opportunity for just plain stealing—to the man to whom it is issued?

Capt. BIESEL. It does, or it would in a commercial concern where the men were not guarding your plant so that material of that sort was going out.

Mr. GARRETT. Any other elements that would go into the term “paper shortage”?

Capt. BIESEL. Not that I know of.

Mr. GARRETT.—Now, let me see if I get the system. Under this contract the contractor—you correct me if I am wrong—the contractor would notify the Government as to what probably would be needed; thereupon the Government would purchase this stuff—

Capt. BIESEL (interposing). May I interrupt there? Pardon; not under a cost-plus contract. The contractor would issue an order for what they needed; that job order or whatever order was required would be O K'd by the Army inspector of ordnance, the purchase would then be made.

Mr. GARRETT. And the material would be shipped to the plant and delivered to the representatives of the Government?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. And placed in these storerooms?

Capt. BIESEL. Only such material being accepted as the storekeeper had a copy of the original order for.

Mr. GARRETT. There would be furnished from the contractor to the storekeeper a copy of the requisition which he had made upon the Government?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. And he would accept just that material called for in this copy?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. Then when in the work certain materials were required a superintendent or some other employee of the contractor would go to the storeroom in which this property that had been bought by the Government was stored and present his requisition or demand for that and it would be delivered to him?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. Then this excessive supply that you referred to—I have forgotten the exact expression you used—you said there were certain portions of this that undoubtedly the contractor ought to bear because of excessive—

Capt. BIESEL (interposing). Because the shortage was excessive.

Mr. GARRETT. The shortage was excessive?

Capt. BIESEL. Yes; the material used for the contract was perhaps excessive.

Mr. GARRETT. Now, that would mean, then, that the requisition made by the contractor upon the Ordnance Department in the first instance was excessive; is that correct?

Capt. BIESEL. It would, going so far as to say that this material was purchased or order was approved by the Army inspector as the Government's representative, and then this material on that Ordnance order was purchased by the contractor; the money was used to purchase that. In turn, when it was received and checked into the Government storeroom, then the accountant voucher on this material paid the American Brake Shoe & Foundry the sum which they had already paid to the people who they had ordered it from.

Mr. GARRETT. I see.

Capt. BIESEL. The accountant, of course, having in his files the certification from the storeroom that had been received and the order or requisition from the contractor that it was necessary for the performance of the contract.

Mr. GARRETT. Do these men in their affidavits state that the goods were given to the men that would go there for them without requisition?

Capt. BIESEL. Capt. Herbst states—perhaps I had better quote from one paragraph of his affidavit. Paragraph 5 of his affidavit states:

As the material was used from the storeroom it was requisitioned out, every requisition being priced by referring to the inventory card, at which time the quantity issued was recorded on the inventory card. It is certainly only logical to assume that the clerk in pricing this requisition recorded it on the card in the same operation. It is, therefore, believed that the quantity short-

age of material found is due to the fact that materials were issued out of the storeroom without getting a requisition of the clerk for the material. Also that such condition exists at every large plant, and therefore it is only natural that it should exist at this plant.

Mr. GARRETT. Now, you have read a paragraph from the affidavit of Capt. Herbst; is that all the reason he gives in his affidavit in excuse of materials being issued without a formal requisition?

Capt. BIESEL. That is all in the affidavit; yes, sir.

Mr. GARRETT. In your investigations about this matter have you heard of any cases of actual stealing there that were detected?

Capt. BIESEL. Yes; there have been cases of actual stealing. The difficulty has been that they have never been able to get a conviction in the courts in Erie. Men have been released.

Mr. GARRETT. Laborers in the plant have been caught with the goods on them and arrested?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. Have there been any other cases except of laborers in the plant that you know anything about; foreman or what—

Capt. BIESEL (interposing). Not that I know of, of foreman. There has been laborers throughout the plant. Operators and men in the employ in the capacity of clerks and elevator men and a few things of that sort. It is my understanding that there have been no conviction of any of the men that have been caught and reported.

Mr. GARRETT. Now, going back to this paper shortage business a moment. I understood you awhile ago to say that this sort of a situation might have occurred, or did occur, in fact: A purchase would be made of certain materials at a certain price; they would be issued at that price from the Government distributing point to the contractor; then next month another purchase of that same material would come in which cost higher, which cost more money, the market having advanced, and there were instances where that material would be issued at the same cost of the prior month; did I understand you correctly about that?

Capt. BIESEL. That would happen, but it usually occurred just the reverse.

Mr. GARRETT. That is, they would have the stuff they bought at a low price on hand when a new quantity come in that cost more and they would issue the first stuff at the cost of the second batch?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. Well, of course, under the contract that ought to go to the contractor at the price at which it was purchased by the Government; under the terms of the contract?

Capt. BIESEL. Under the terms of the contract it amounted to overpricing and the contractor being charged for these materials at a higher price than the Government for it.

Mr. GARRETT. What sort of records did contractors keep about these materials used every day?

Capt. BIESEL. The contractor kept his records usually in money value only so far as I have been able to determine.

Mr. GARRETT. Would not itemized the articles and say so many wrenches and of a certain dimension, but wrenches so much?

Capt. BIESEL. I could not say as to that.

Mr. GARRETT. You have not personally examined the records of the contractor?

Capt. BIESEL. I have examined their finally posted records as to the amounts that was issued, but not their personal records.

Mr. GARRETT. By the way, what do you mean by "posted records"?

Capt. BIESEL. What I meant was not their working sheets but their records showing a certain amount chargeable to stock; a certain amount credited to stock due to such and such a summary. Now, the actual working sheet of that is the summary itself. The material listed on there by the cost accountant is as to the price given him, I believe, from the storeroom.

Mr. GARRETT. Well, now, a while ago reference was made to the possible issuance of material from the Government distributing room without it being posted; you meant by that not posted on the books?

Capt. BIESEL. Not posted on the storeroom books or records.

Mr. GARRETT. On the storeroom records?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. How large a force of men was at work there in that distributing room, do you know?

Capt. BIESEL. No; and there was a great deal of difficulty in getting men. In fact, in many instances they would call up some man and they would have great difficulty in getting men with civil-service qualifications and they were short-handed; that was disclosed in part of the evidence, and then certain of the contractors men loaned to them for that purpose. In fact, I believe the contractor loaned a force of his accountants, and part of them to the stockroom at one time.

Mr. GARRETT. These employees of the Government in there have to be civil-service employees?

Capt. BIESEL. Yes; they are civil service or commissioned or enlisted personnel.

Mr. GARRETT. Well, were any of the contractors' men loaned to the Government in there for the purpose of distributing this stuff and delivering it to the contractor that you know of?

Capt. BIESEL. That I could not say.

Mr. GARRETT. I mean performing the physical delivery; not the bookkeeping?

Capt. BIESEL. That I could not say.

Mr. GARRETT. If a man came in there and wanted a keg of bolts, I suppose there was some man there to get them out for him from the stock?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. You do not know whether any of the contractors' people were in there to act in that capacity or not?

Capt. BIESEL. No; it is entirely possible, on account of the shortage of help, but I do not know.

Mr. GARRETT. What is the attitude of this American Brake Shoe Co. generally on this matter?

Capt. BIESEL. You mean generally in connection with the Government work?

Mr. GARRETT. In connection with this alleged shortage?

Capt. BIESEL. They believe from their books that this is not an actual shortage; that the material was used and expendable in the amount of completed units.

Mr. GARRETT. This may be asking for an opinion, a legal opinion in construction of the contract, and if so, and you do not care to answer, you need not. But I will ask you, would the contractor be liable for such materials as might have been stolen by his employees?

Capt. BIESEL. It would, provided that willful default or negligence could be shown.

Mr. GARRETT. Well, that is exactly the point. Of course, you mean if willful fault or negligence could be shown on the part of whom?

Capt. BIESEL. On the part of the contractor.

Mr. GARRETT. Well, the contractor is a corporation.

Capt. BIESEL. The terms of one clause of the contract recites that the contractor shall not be held responsible for any depreciation of value of material or for any shortages that may arise thereunder except through willful default—except where willful default or negligence can be shown.

Mr. GARRETT. Well, now, suppose I had been at work in that plant as a laborer, employed by the company—

Capt. BIESEL. Yes.

Mr. GARRETT (continuing). And I had taken some of the material—stolen it—would the company have been liable on that or would the Government have had to stood for my speculation, or do you care to express an opinion about that?

Capt. BIESEL. I would prefer not. I think that is a matter that may really have to have the Attorney General's ruling in view of a clause of the contract.

Mr. GARRETT. Well, of course, I won't press you upon that proposition because probably that very element will be involved in this settlement which you are going to have to make. I do not know that it is worth anything, but it rather occurs to me that the contractor ought to stand any loss that was suffered by reason of the speculations of its own employees and that that ought not to be unloaded onto the Government.

Capt. BIESEL. However, the Government was really paying directly those men; in one way they were Government employees and in another way the contractors' employees under the cost-plus contracts.

Mr. GARRETT. Yes; I know that element does enter into it.

Mr. JEFFERIS. But the contractor selected the employees, didn't he?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. Is anybody else at work now on these special charges, or are you in charge of the whole matter until you have made your recommendations and it gets to the Cleveland Claims Board?

Capt. BIESEL. I am in charge until it gets to the Cleveland Claims Board, using the Cost Accounting Section and these other sections for information and reports.

Mr. GARRETT. Well, when all that information is given you you will render your report; that information will all be given you before you render a final opinion of the matter?

Capt. BIESEL. Yes; my opinion on the survey or on the claims board is really not final; it is a report; my recommendations can either be approved or disapproved.

Mr. GARRETT. By the claims board?

Capt. BIESEL. By the claims board.

Mr. GARRETT. Oh, yes; we understand that. You report all the facts and then give your opinion, based on the facts?

Capt. BIESEL. Yes, sir.

Mr. GARRETT. Well, you say the contractor is insisting that all that material—that the Government should stand all that loss; they deny any responsibility?

Capt. BIESEL. They are not insisting, but they claim that under the terms of their contract they are not responsible for that shortage. However, there is an element which enters, that if that is charged to the contractor that it has the privilege of including that in its cost; there is nothing to prevent it under the terms of its contract, so that if you charge the million dollars' shortage the contractor can put the million dollars shortage in as an item of cost and show it as an item of cost. There is no argument on it. That is the condition that you meet with on a great many of these surveys where you really can charge the contractor, but indirectly you are charging the Government.

Mr. GARRETT. Then it is as broad as long in so far as the dollars and cents of the Government is concerned?

Capt. BIESEL. With this exception, that the shortage being charged against the cost, if it brought the cost above the estimated cost and reduced the participating profits.

Mr. GARRETT. That is not one of these informal contracts, is it? These are completely executed contracts?

Capt. BIESEL. Not all; some of them were completely executed, and some of the settlements were informal, and in order to cover it we submitted a proof of contract under the Dent Act.

Mr. GARRETT. In what form was their claim presented—as one claim on all the contracts?

Capt. BIESEL. As a separate claim on each contract, with the exception that the claim under their housing was not included in their claim for the delivery or the cost of suspension on their real deliveries. You see, they had a large housing project, and at the request of the War Department Claims Board the contractor submitted his claims in two parts, wherein the housing proposition entered at all. There was a separate claim under the housing and supplemental contracts and then the regular claim under the shell contract.

Mr. GARRETT. Were all those contracts of this cost-plus and profit-sharing character?

Capt. BIESEL. The three large contracts, I think, were.

Mr. GARRETT. We have, I think, all the contracts in the record, but I have forgotten.

Capt. BIESEL. The three large contracts were cost-plus, with a participating profit clause originally. However, one, G638-454A, was originally a cost-plus contract, and then changed to a participating-profit contract, so that prior to that date you have the element of participating profit entering in there.

Mr. GARRETT. If I understand you correctly, Captain, under this contract all that is involved in the way of dollars and cents to the Government under this controversy is the percentage of profit that they may have made on the contract?

Capt. BIESEL. So far as I am able to discern at the present time, sir. I can not see any other way.

Mr. GARRETT. I guess that is all.

Mr. GRAHAM. Now, let me ask you: I concede that what you say about these contracts, about the burden being on the Government to prove willful negligence and that sort of thing is correct. In other words, before the Government can charge anything against the contractor the Government must prove, and assume the burden of proving, that it was willful negligence of some kind?

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Of course, that is very hard to prove.

Capt. BIESEL. Yes, sir.

Mr. GRAHAM. Ordinary negligence is a good deal different proposition from gross or willful negligence.

Capt. BIESEL. Well, Mr. Chairman, I made the statement "willful default or negligence," not "willful negligence."

Mr. GRAHAM. Then you think the word "willful" does not refer to the word "negligence," do you?

Capt. BIESEL. That was the question that I would really have had to answer in replying to one of the other members.

Mr. GRAHAM. Yes; so that you preferred not to say?

Capt. BIESEL. A construction of that would be necessary.

Mr. GRAHAM. Just one more question, and then I will be done: Why do you say that this shortage would be charged to the item of cost of construction of this material; what particular language of the contract do you have in mind now?

Capt. BIESEL. Under the clause which says that all costs pertaining to this contract, and then goes on, as set forth under the definition of cost, and it in turn gives all the items chargeable to cost.

Mr. GRAHAM. Yes; now, under those items do you recall any items of shortages or material?

Capt. BIESEL. No; because there are only some general under the head of material or indirect material.

Mr. GRAHAM. You do appear to think that those items of costs would include shortages?

Capt. BIESEL. That would be my opinion—it is my opinion from the cost-accounting standpoint that anything that really has entered in—that is a charge against the contractor not in the nature of increased facilities that the contractor could receive reimbursement and that it would be directly chargeable to cost.

Mr. GRAHAM. For instance, let us take the case if a fire swept through his plant, that would be an item of cost; is that correct?

Capt. BIESEL. I would not believe so; no, sir.

Mr. GRAHAM. You do not; suppose a burglar breaks in and burglarizes his safe in which he has a large amount of money that he has to pay the men with; is that an item of cost?

Capt. BIESEL. No; I would not believe that either. You see, in those cases you are dealing with materials.

Mr. JEFFERIS. Suppose this case, Captain: A contractor would buy \$1,000 worth of material of a certain kind and put in it a store-

room, and then the contractor or some of his employees would take it and carry it off somewhere for some other purpose, and nobody knew anything about it, however; would the mere fact that he bought it, would that make it a proper item of cost?

Capt. BIESEL. That would be charged in cost, unless there was evidence to show that the loss of that material was due to willful fault on his part or negligence; it is directly chargeable to cost, the items that entered into the manufacture of the commodity.

Mr. GRAHAM. In other words, it all dates back to willful default or negligence, does it?

Capt. BIESEL. So far as I can see; yes.

Mr. GRAHAM. Have these forms of contract ever been passed upon by the Judge Advocate General's Department?

Capt. BIESEL. This particular contract?

Mr. GRAHAM. Yes; one of these participating-profit contracts with that clause; do you know whether he has ever passed upon the particular phases of these contracts?

Capt. BIESEL. I do not know; I would assume that he has.

Mr. GRAHAM. Has he ever passed on this particular case?

Capt. BIESEL. On this particular one; no, sir.

Mr. GRAHAM. How soon do you expect, Captain, to make your report, from your present knowledge?

Capt. BIESEL. I think it will be possible to make a report about the 15th of November; that is based upon the fact that the evidence that has been requested and the checking up of the cost accounting and the reports necessary are submitted within the next two weeks.

Mr. GRAHAM. I think that is all.

Mr. JEFFERIS. Then, Captain, just one other thought: If the contractor then really purchased the material and put it in a storehouse, and, then, if he himself would steal it, the original cost of it would be cost, would it; and then the burden would be on the Government to prove that he stole it, or else he is entitled to have pay for it as a purchase; is that it?

Capt. BIESEL. So far as I can see, and it is the regrettable part of it.

Mr. JEFFERIS. That is all.

(Thereupon, at 6.30 o'clock p. m., the committee adjourned subject to the call of the chairman.)

SUBCOMMITTEE NO. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Friday, October 17, 1919.

The committee met at 10.30 o'clock a. m., pursuant to call by the chairman, Hon. William J. Graham (chairman) presiding.

Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF MAJ. ISAAC WEIL, MAJOR, ORDNANCE
DEPARTMENT, UNITED STATES ARMY.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your name, Major?

Maj. WEIL. Isaac Weil.

Mr. GRAHAM. You are a major in the Ordnance Department?

Maj. WEIL. Yes, sir.

Mr. GRAHAM. How long have you been in the Army, Major?

Maj. WEIL. Since October 4, 1917.

Mr. GRAHAM. And where did you live before that?

Maj. WEIL. Pittsburgh.

Mr. GRAHAM. What was your business in civil life?

Maj. WEIL. Consulting engineer.

Mr. GRAHAM. Connected with any firm there?

Maj. WEIL. No, sir.

Mr. GRAHAM. You had your office there in Pittsburgh?

Maj. WEIL. My own office.

Mr. GRAHAM. Were you at that time in the employ of any corporations as their regular consulting engineer?

Maj. WEIL. No, sir.

Mr. GRAHAM. Since the signing of the armistice what have your duties been?

Maj. WEIL. After about early in December I was assigned to duty with the Claims Board, Ordnance Department.

Mr. GRAHAM. In what capacity?

Maj. WEIL. In several; first as examiner of claims and as chief examiner, and afterwards assistant executive, and now executive officer.

Mr. GRAHAM. Well, what do you do as executive officer?

Maj. WEIL. As executive officer I endeavor to keep the machinery running smoothly without any lost motion.

Mr. GRAHAM. That is the Bureau Ordnance Board?

Maj. WEIL. Yes; really the staff end in Washington—preparation of the last end before it goes through.

Mr. GRAHAM. You are the last board before the War Claims Adjustment Board?

Maj. WEIL. Yes, sir.

Mr. GRAHAM. Now, some time in September—about September 26—the Claims Board of the Ordnance Department, and the Chicago District Ordnance Claims Board, and also the Claims Adjustment Board, through a representative of each board, allowed the claim of the Standard Steel Car Co. for compensation claimed to be due them on account of a contract they had for the building of howitzer carriages at Hammond, Ind. Some time during that arrangement a check was given to Mr. Corey, or some one of the Standard Steel Car Co.'s people, which they brought to Washington. We are told that you have some knowledge of the cashing of that check. Do you know anything about a representative of your board going to Chicago to look into that matter?

Maj. WEIL. No; not in connection with the cashing of the check.

Mr. GRAHAM. Well, do you know anything about one of the members of your board going there, if they did?

Maj. WEIL. Yes; several of our board—I would not say several—but our board was represented in Chicago to attend to this case.

Mr. GRAHAM. Did you ever know a case before where a representative of the Claims Adjustment Board and a representative of your board went out together to pass upon a claim in a district?

Maj. WEIL. No, sir.

Mr. GRAHAM. Well, they do it in this case?

Maj. WEIL. I understand that they did.

Mr. GRAHAM. That was, then, an unusual practice?

Maj. WEIL. A very unusual practice.

Mr. GRAHAM. Do you know anything about Col. Hughes's visit down here to get representatives of the board?

Maj. WEIL. I don't know of that; I don't know—so as to help your out, I will say I do not know how they arrived at such action at all. I knew nothing of it until they started to leave.

Mr. GRAHAM. Who did he take with him, Major?

Maj. WEIL. Mr. D. D. Graves.

Mr. GRAHAM. Who was he?

Maj. WEIL. He is an alternate member of the board and special assistant to the recorder of the Ordnance Claims Board.

Mr. GRAHAM. Did Graves ask your permission to go?

Maj. WEIL. No, sir.

Mr. GRAHAM. Were you at that time executive officer of the board?

Maj. WEIL. Yes, sir. The recorder is normally a superior position to mine, and this man acting as a special assistant to the recorder, it was not necessary for him to request permission to go from me.

Mr. GRAHAM. Well, was there a member of your board went; Col. McFarland, or Reeves, of your board?

Maj. WEIL. I think Col. McFarland was there, although being a member of the board, I did not keep direct touch with him as to what he is doing.

Mr. GRAHAM. Was any one with Col. Hughes when he came here?

Maj. WEIL. I don't know.

Mr. GRAHAM. Do you know Mr. Corey, of the Standard Steel Car Co.?

Maj. WEIL. Yes, sir.

Mr. GRAHAM. Was he with him?

Maj. WEIL. I don't know.

Mr. GRAHAM. Do you know or were you advised anything in any roundabout way that he was here?

Maj. WEIL. No; I don't know, but he has been here so often that I would not know of his being here at that particular date.

Mr. GRAHAM. Was Mr. Corey located here at that particular time?

Maj. WEIL. I think he has been here off and on since the war started.

Mr. GRAHAM. The story comes to us that as soon as that claim was allowed a check was issued, and that check brought to Washington and cashed; what do you know about that, Major, if anything?

Maj. WEIL. All I know is that on the night of September 30—

Mr. GRAHAM (interposing). The date of this approval is as of September 26.

Maj. WEIL. On the night of that day I went to Pittsburgh to aid and help in cleaning things up a bit, as we often do; sort of an inter-communication. Mr. Corey was on the train and showed me a letter showing a list of checks that he had or had received in connection with this claim; that is all I know of the checks.

Mr. GRAHAM. Was one of the checks a settlement?

Maj. WEIL. He said that it was in settlement of this single claim.

Mr. GRAHAM. Did he tell you where he was going with it?

Maj. WEIL. He was going to Pittsburgh to his office, very likely.

Mr. GRAHAM. Was he coming from Washington?

Maj. WEIL. From Washington to Pittsburgh.

Mr. GRAHAM. Did he say anything about whether he was going to cash it?

Maj. WEIL. No, sir.

Mr. GRAHAM. Do you know as a matter of fact when the check was cashed?

Maj. WEIL. No; I don't know.

Mr. GRAHAM. You never looked that up to see?

Maj. WEIL. No, sir.

Mr. GRAHAM. How are those checks ordinarily issued? Now, let us assume this case here, that a settlement was made on the 26th of September; now, what would be the next step in the issuance of the check; it was issued and how would it be done?

Maj. WEIL. That I don't know; it is directly out of our jurisdiction. But with checks with an amount in different districts, then they are probably again checked up and come in items of materials listed and given an official receipt if it is all there; then they issue a voucher; that is, the disbursing officer in the district pays on the settlement contract and the check, and I understand that it normally takes three or four days between the signing of a contract until the check is issued. The exact working of the contract I do not know. I have sufficient to do to keep my own straight.

Mr. GRAHAM. Does the finance handle that?

Maj. WEIL. The finance handles that. We send an executed copy of the contract to their office for guidance.

Mr. GRAHAM. That is the department headed by Gen. Lord?

Maj. WEIL. Yes, sir.

Mr. GRAHAM. The voucher comes from the accounting division?

Maj. WEIL. Yes, sir.

Mr. GRAHAM. Well, if there is a proper checking to be done that takes some time?

Maj. WEIL. Very frequently.

Mr. GRAHAM. And that is all you know about this check transaction?

Maj. WEIL. Absolutely.

Mr. GRAHAM. Do you want to ask him anything, Mr. Jefferis?

Mr. JEFFERIS. Yes. Just tell us what you meant by "starting to leave;" Col. Hughes starting to leave from Washington?

Maj. WEIL. Col. Hughes?

Mr. JEFFERIS. Yes.

Maj. WEIL. I don't know——

Mr. JEFFERIS (interposing). That is, going back to Chicago. Did he come from Chicago here?

Maj. WEIL. I don't know.

Mr. JEFFERIS. Do you know what men went out to Chicago to try to settle this case?

Maj. WEIL. All I have been able to tell from the talk in the office was, Mr. Graves and Col. McFarland and Col. Reeves and one member of what we call the technical advisory committee; I don't know which one went.

Mr. JEFFERIS. Do you know who told them to go?

Maj. WEIL. No; that must have been a proper action on the part of the board, I should imagine. I have not looked at the minutes of that particular date of that case.

Mr. JEFFERIS. Well, was there anybody here from Chicago at that time that started?

Maj. WEIL. Very likely Mr. Corey; I would not be positive now in the assertion; I believe he was here.

Mr. JEFFERIS. Do you know whether he went out with them or not?

Maj. WEIL. He very likely did. I could not positively state that. The case was out of my hands. As I stated in the beginning mine was an executive position—to keep the machinery running in the office; as office manager, possibly.

Mr. JEFFERIS. Do you have anything to say who should go out and attend to these things?

Maj. WEIL. Not in a case of that kind. It is up to the board in a board meeting to decide whether they want anybody special to go.

Mr. JEFFERIS. Do you know how long these parties were gone, Graves, and McFarland, and Reeves?

Maj. WEIL. I don't know exactly; a few days is as close as I would care to state.

Mr. JEFFERIS. Did you see them when they came back?

Maj. WEIL. I saw them when they came back.

Mr. JEFFERIS. Did Mr. Corey come with them?

Maj. WEIL. I don't know.

Mr. JEFFERIS. Where was it you met Mr. Corey with those checks?

Maj. WEIL. I do not know whether he had the checks; he showed me a letter reciting the checks on the train going to Pittsburgh.

Mr. JEFFERIS. In what way did he show you the letters?

Maj. WEIL. I suppose he was feeling contented that he had the checks.

Mr. JEFFERIS. Feeling good, was he?

Maj. WEIL. Yes; that would be a natural thing for a man to do.

Mr. JEFFERIS. Elated over the settlement he had made?

Maj. WEIL. Yes, sir.

Mr. JEFFERIS. Do you know who this letter was from?

Maj. WEIL. No; I do not. I just noticed that it recited several checks there.

Mr. JEFFERIS. Do you remember about the size of those checks?

Maj. WEIL. They were of considerable amounts; I do not remember the amounts though.

Mr. JEFFERIS. Did he say anything about the letter, or say anything further to you?

Maj. WEIL. No; nothing of purport; that he was glad to show it to his president, whom he would see in the morning.

Mr. JEFFERIS. Where did this conversation take place with you?

Maj. WEIL. On the sleeper, going to Pittsburgh.

Mr. JEFFERIS. In the smoker?

Maj. WEIL. Yes, sir.

Mr. JEFFERIS. And he just happened to pull out this letter?

Maj. WEIL. Yes, sir.

Mr. JEFFERIS. You have known him before?

Maj. WEIL. Yes; I have known Mr. Corey for at least a year, or longer.

Mr. JEFFERIS. Did he say anything about how quickly they had got together in the settlement, or anything?

Maj. WEIL. No, sir.

Mr. JEFFERIS. He didn't say he made it, or anything?

Maj. WEIL. No.

Mr. JEFFERIS. Or who made it?

Maj. WEIL. No.

Mr. JEFFERIS. Just showed you the letter?

Maj. WEIL. Just showed me the letter.

Mr. JEFFERIS. What did you say about it?

Maj. WEIL. I just said, "You are a lucky boy," or something to that effect.

Mr. JEFFERIS. And then you went on to talk about something else?

Maj. WEIL. Yes; just the topics of the day.

Mr. JEFFERIS. That is all.

Mr. GRAHAM. Mr. Garrett, anything?

Mr. GARRETT. The check was issued here in Washington?

Maj. WEIL. I don't know.

Mr. GARRETT. Well, did he have the check in his possession at the time of the conversation on the train?

Maj. WEIL. I don't know.

Mr. GARRETT. That is, all you saw was the letter?

Maj. WEIL. Was the letter; yes, sir.

Mr. GARRETT. Who did you say that letter was from?

Maj. WEIL. I did not notice; he just showed it casually; I just quickly looked at it and saw it recited checks.

Mr. GARRETT. That was about when?

Maj. WEIL. On the night of the 30th.

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Mr. Corey here this last

Maj. WEIL. I think it has been this last week; it has been recently—since this affair started.

Mr. JEFFERIS. Do you know who he was talking with up in the department or claims board?

Maj. WEIL. No; I don't remember. I just saw him going through or coming out and said, "How do you do," or something like to him. I am a very busy man.

Mr. JEFFERIS. You say he did not have any connection with the the department during the war?

Maj. WEIL. I understand not.

Mr. JEFFERIS. He was assistant to President Hansen, of the Standard Steel Car Co.?

Maj. WEIL. So I understand.

Mr. JEFFERIS. Mr. Hansen was holding some position here, was he not?

Maj. WEIL. Mr. Hansen is president of the Standard Steel Car Co.

Mr. JEFFERIS. He was on the War Industries Board, was he not?

Maj. WEIL. I don't know that.

Mr. JEFFERIS. You don't know that?

Maj. WEIL. No, sir.

Mr. JEFFERIS. Did you see him here?

Maj. WEIL. No, sir.

Mr. JEFFERIS. Did you see Mr. Jenks, of that company, here?

Maj. WEIL. No; I have not seen Mr. Jenks since about a year ago, one afternoon. I went with Mr. Jenks to Aberdeen is the only time I have seen him.

Mr. JEFFERIS. That is all.

Mr. GRAHAM. That is all, Major.

TESTIMONY OF COL. EARL McFARLAND, COLONEL, ORDNANCE DEPARTMENT, UNITED STATES ARMY.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name?

Col. McFARLAND. Earl McFarland.

Mr. GRAHAM. You are a colonel in the Ordnance Department?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. How long have you been in the Army?

Col. McFARLAND. I was appointed to the Military Academy in 1902 and graduated in 1906; counting in my cadet days, I have been 17 years in the Army, sir.

Mr. GRAHAM. During the war where were you located?

Col. McFARLAND. During the hostilities I was in Washington all the time. I was in Washington all the time before the war in the office of the Chief of Ordnance, and when war was declared I was here. In April I was sent abroad and stayed there for five months and returned here and have been here ever since.

Mr. GRAHAM. What were your particular duties during the period of the war?

Col. McFARLAND. As soon as war was declared I was placed in charge of the Machine Gun Section of the Carriage Division. I remained in charge of that section until the reorganization of the Ordnance Department, at which time I was placed in charge of the

Small Arms Machine Gun Section in the Engineering Division. I remained in that position until the summer, I think about July, at which time I was relieved of that position to be placed in charge of the Aircraft Armament Division, and I was in charge of the Aircraft Armament Division from perhaps the middle of July until some time in October, when I was relieved and made special assistant to the Chief of Ordnance in charge of trench warfare matériel. I remained in charge of trench warfare matériel until the armistice. Since the armistice—

Mr. GRAHAM (interposing). Since the armistice what have you been doing?

Col. MCFARLAND. The department was shortly after that reorganized, due to the decrease in personnel and a change of work. I was then placed in charge of the Small Arms Division and the Aircraft Armament Division. They were two separate divisions, but were combined under my charge.

Mr. GRAHAM. How long have you been in connection with the Ordnance Bureau claims board.

Col. MCFARLAND. I think about last December I was detailed a member of the claims board in addition to my other duties. I remained on the board until the 1st of April, when I went abroad. When I returned here, about the 1st of September, I was redetailed as a member of the board.

Mr. GRAHAM. That is, the bureau board, here in Washington?

Col. MCFARLAND. Yes; the Ordnance claims board; and that was probably the 10th or 15th of September, in addition to my other duties; but sometime after that I was relieved from my other duties and put on claims board work exclusively.

Mr. GRAHAM. Did you have anything to do with the settlement of the claim of the Standard Steel Car Co.?

Col. MCFARLAND. Yes, sir; I represented the claims board in the settlement of that claim.

Mr. GRAHAM. When did Col. Hughes come to Washington to see you about that claim?

Col. MCFARLAND. The first time that I ever heard of that claim was on a Tuesday which, I think, was about the 23d or 24th of September. I recall that because I left for Chicago the following day, which was Wednesday.

Mr. GRAHAM. Who told you about it on that day?

Col. MCFARLAND. On that day it was presented either at the end of the meeting of the claims board; that is, after the claims board had adjourned or after the claims board had finished its calendar for that day. It was not presented to me except as I was a member of the claims board sitting at the time and was present.

Mr. GRAHAM. Who presented it?

Col. MCFARLAND. Col. Hughes, of the Chicago district office.

Mr. GRAHAM. Was anybody with him at that time; do you know Mr. Corey?

Col. MCFARLAND. I know Mr. Corey.

Mr. GRAHAM. Was he there?

Col. MCFARLAND. I presume he was. I never saw Mr. Corey until the following day; that is, the Wednesday that I left for Chicago?

Mr. GRAHAM. Where did you see him?

Col. MCFARLAND. I seen him in the station at that time. I did not know who he was.

Mr. GRAHAM. At Washington?

Col. MCFARLAND. At Washington. But as soon as I got on the train——

Mr. GRAHAM (interposing). Was anyone with him?

Col. MCFARLAND. Col. Hughes was with him.

Mr. GRAHAM. Did they go with you gentlemen to Chicago?

Col. MCFARLAND. Yes, sir; Col. Hughes, Mr. Corey, Mr. Graves and I were on the same train, in the same car, and Mr. Russell, also of the Chicago district office, also joined us later; he was not in the same car, however.

Mr. GRAHAM. He went on the same train?

Col. MCFARLAND. I do not know whether he left Washington or whether we joined a New York train.

Mr. GRAHAM. He was, however, on the train?

Col. MCFARLAND. Yes; he was traveling with us.

Mr. GRAHAM. How did you travel; did you have a stateroom?

Col. MCFARLAND. I had an upper berth. Mr. Corey and Col. Hughes had a stateroom; Mr. Graves had a lower berth, I think; he was near me, anyway.

Mr. GRAHAM. Was any formal action taken here directing you to go to Chicago, Colonel?

Col. MCFARLAND. I think not. The board that evening—and I may say the board must have been in session, because on that Tuesday evening the board definitely stated to Col. Hughes it would approve the salvage offer, and Col. Dalton, the representative of the War Department Claims Board, stated also that he would approve, as a member of the War Department Board, the salvage offer.

Mr. GRAHAM. Was he there at that meeting?

Col. MCFARLAND. Col. Dalton was there at the time we discussed the case on Tuesday; yes, sir.

Mr. GRAHAM. How did he happen to be there?

Col. MCFARLAND. Col. Dalton and Col. Reeves are both representatives of the War Department Claims Board and at times Col. Reeves sits with our board, and sometimes Col. Dalton.

Mr. GRAHAM. Did either of those gentlemen go with you to Chicago?

Col. MCFARLAND. Yes; Col. Reeves met us at Englewood on the morning we arrived there; Col. Reeves did not go on the train with us.

Mr. GRAHAM. He was in Chicago, was he?

Col. MCFARLAND. Yes, sir.

Mr. GRAHAM. Is his ordinary location here in Washington?

Col. MCFARLAND. His ordinary location is here in Washington.

Mr. GRAHAM. How did he happen to be in Chicago?

Col. MCFARLAND. I presumed when I saw him that he was going out there as the War Department member on that particular case. I presume that Col. Hof told me that Col. Reeves was going out there.

Mr. GRAHAM. Who is Col. Hof?

Col. MCFARLAND. He is the acting chairman of the War Department Claims Board.

Mr. GRAHAM. You think there was no formal action with reference to your going out there?

Col. MCFARLAND. I think not.

Mr. GRAHAM. Did you ever know of any other case where three representatives of the claims board sat on a claim?

Col. MCFARLAND. No; I don't know of any.

Mr. GRAHAM. Did you ever know where it was requested before or since?

Col. MCFARLAND. No, sir.

Mr. GRAHAM. Was it the custom for you to send your experts from Washington out to the district to pass on these matters?

Col. MCFARLAND. Frequently the examiners have gone out to the districts and more recently members of the claims board particularly had gone to the districts to inquire into matters to get the point of view of the local authorities. I don't know of claims that have been finally settled in districts.

Mr. GRAHAM. Did you ever know of a case where a member of the War Claims Adjustment Board, the highest board, that is, the Crowell board, went out into the district and sat and passed on a claim?

Col. MCFARLAND. No; but I would not know about the Board of Contract Adjustment; I haven't any connection; I do not come in contact with them.

Mr. GRAHAM. I am not speaking of the Board of Contract Adjustment. I am speaking of the War Claims Adjustment Board, the highest board, headed by Mr. Crowell, which passes on all the claims immediately over your bureau board.

Col. MCFARLAND. I thought it was the War Department Claims Board, and when I referred to the War Department Claims Board that is the board I referred to.

Mr. GRAHAM. Well, Col. McFarland, to get away from these preliminaries, the thing we want to particularly direct your attention to is what happened in Hammond when you were passing on this claim. You say with these other gentlemen there, did you?

Col. MCFARLAND. Yes, sir.

Mr. GRAHAM. How long hearings did you have?

Col. MCFARLAND. Well, we arrived in Englewood, I think, about half-past 9, and it probably took 40 or 50 minutes to get to Hammond. We stayed there at Hammond at the plant until around half-past 5 or 6 in the evening.

Mr. GRAHAM. During the time of your hearing was Mr. Blakey, an accountant, present?

Col. MCFARLAND. Mr. Blakey was present when the committee, if you may call it such, met in the afternoon; whether he was present in the morning when we walked over the plant, I do not know.

Mr. GRAHAM. But he was present in the afternoon?

Col. MCFARLAND. In the afternoon; yes, sir.

Mr. GRAHAM. Were you informed at any time by Col. Hughes or anybody else that a salvage offer had been made by a firm by the name of Briggs & Turvis for the salvage materials in that plant?

Col. MCFARLAND. I don't recall it. The name Briggs & Turvis is entirely new to me.

Mr. GRAHAM. The offer was a letter that had been written by Briggs & Turvis to this committee, or to the district ordnance board,

offering 15 per cent of the value of the salvage materials; did you know anything about any such offer as that at that time?

Col. MCFARLAND. I have no recollection of it. Statements were made that certain people, certain contractors and firms, had been asked to come down to the plant and look at that material with a view of giving the Government officials a proper idea as to what the actual value of the material was; that evidence was brought out during the meeting. But I have no recollection of the specific offer, such as you refer to.

Mr. GRAHAM. Did Col. Hughes at any time during any of these conferences call to the attention of this committee or this board a letter from Briggs & Turvis, or from anyone else except the Standard Steel Car Co., making an offer on this salvage material?

Col. MCFARLAND. I have no recollection.

Mr. GRAHAM. Well, Colonel, that is not very exact. Did he or did he not? Now, it is quite important that this committee know..

Col. MCFARLAND. I can not make any further statement, Mr. Graham. If so, it was not called to our attention in such a way as to indicate that it was a better offer than the offer which the Standard Steel Car Co. had made.

Mr. GRAHAM. At any time during this meeting there did Mr. Blakey have any conversation with you?

Col. MCFARLAND. Yes, sir.

Mr. GRAHAM. Did he request you to leave the room with him at one time, so that he could talk with you?

Col. MCFARLAND. No, sir. The next morning, which would be Thursday morning, in the office—while I was in the office of the district claims board—the chief of the district claims board came to me and said that Mr. Blakey wanted to see me out in the hall, or in the outer room, and in the course of a few minutes I went out to see Mr. Blakey.

Mr. GRAHAM. What did he tell you?

Col. MCFARLAND. He said that he wanted—I had been informed that the items referred to in the Standard Steel Car Co.'s claim had been audited, and he wanted me to know that they had not been audited.

Mr. GRAHAM. Did Col. Hughes at any time during any of these meetings tell you gentlemen that this claim had been audited?

Col. MCFARLAND. On certain items he said that—he stated that certain items had been audited.

Mr. GRAHAM. What items?

Col. MCFARLAND. I don't recall.

Mr. GRAHAM. Could you tell if you saw the claim?

Col. MCFARLAND. Possibly I could. [Mr. Graham hands papers to Col. McFarland.] I knew that the settlement was a negotiated settlement, and I presume that there were some items there that had not been audited—that is, that were the result of an estimate.

Mr. GRAHAM. Here is a copy of the claim as you gentlemen allowed it. Did he tell you about whether any of these had been audited; and if so, which ones? I refer now to the award heretofore introduced into the record by the witness Blakey as having been made at Hammond.

Col. MCFARLAND. No, sir; I can not pick out any of these particular items which I know he stated to have been audited.

Mr. GRAHAM. He did not state the whole claim had been audited?

Col. MCFARLAND. That was not my understanding of it, because the questions I asked him were on particular items. On one particular item, I remember, I had quite a discussion with Col. Hughes and left my seat and went over to his seat and looked at the papers which we had there, and at that time I asked Mr. Blakey some questions about it; that was an item of overhead, and Mr. Blakey stated more overhead had actually been paid to the company than was indicated on Col. Hughes's list. Col. Hughes did not understand what Mr. Blakey referred to, and Mr. Cory was then called into the meeting and explained that the additional amount was the amount of overhead that had been paid for a number of months which was not under consideration by Col. Hughes at that time. As I recall it, Col. Hughes was figuring on 1918 overhead, and the additional amount referred to 1917 and to 1919.

Mr. GRAHAM. Did Mr. Blakey at any time during the progress of the settlement of this claim try to interject remarks or make any statements to the gentlemen who were passing on it up there?

Col. MCFARLAND. No; I think not. There was a very free discussion of various items as they came up.

Mr. GRAHAM. Was his advice called for at any time by any of the board, or any questions asked of him officially?

Col. MCFARLAND. Well, I do not know whether I asked him on this particular item what his views were, or whether he volunteered them. I obtained the information from him. I have no recollection of the particular means.

Mr. GRAHAM. If you had known at the time you were passing on this claim, Colonel, that instead of an offer of approximately \$200,000, that you could have gotten \$750,000 from somebody else, would it have made any difference in your determination?

Col. MCFARLAND. All the difference in the world. It is my recollection, however, that the salvage offer of the Standard Steel Car Co. was \$900,000.

Mr. GRAHAM. You are wrong on that; that was the salvage offer for the materials, special facilities included.

Col. MCFARLAND. Yes; I would not think for a moment of approving of it, if I had the power of approval, or of voting for a claim that did not derive all the possible benefit to the United States.

Mr. GRAHAM. Have you since been informed from any source that an offer has been made by any other firm?

Col. MCFARLAND. No, sir.

Mr. GRAHAM. No one knew it up until this time?

Col. MCFARLAND. No, sir.

Mr. GRAHAM. Well, I may say for your information that the letters are in the files in connection with this claim, to the Chicago board, which have been sent to us.

Do you want to ask him anything, Mr. Jefferis?

Mr. JEFFERIS. Yes, sir.

Just why was it that you, representing the Washington ordnance claims board, I take it, went out to Chicago with these other members of the different boards to pass on this claim?

Col. MCFARLAND. Col. Hof, the acting chairman of the Washington ordnance claims board, came to my office with Col. Hughes on Wednesday morning—the Wednesday that I previously referred to—and

asked if there was any reason why I should not go out to Chicago on this case, and I told him that I knew of no reason; that I was available for the work, or some remark of that kind, and he told me to get ready then and go on the afternoon train with Col. Hughes. His instructions were not definite. I do not recall that we had very much of a conversation at that time. I presumed that the case was difficult; I knew from the conversation that had taken place on the preceding day during the meeting of the claims board that it was a difficult case; that the settlement had been negotiated, and I presumed that Col. Hof wanted a representative of his board on the ground to get the local atmosphere, and to see the actual conditions under which the settlement had been arrived at by the Chicago district board.

Mr. JEFFERIS. Well, had it been arrived at by that time by the Chicago district board?

Col. MCFARLAND. It was my understanding that the Chicago district board had approved the claim.

Mr. JEFFERIS. Had any papers come to your observation?

Col. MCFARLAND. Only the papers that were brought up by Col. Hughes so far as I know.

Mr. JEFFERIS. What papers did he bring?

Col. MCFARLAND. The particular paper that I read there, or the paper which showed the original claim, presumably—the original claim of the Standard Steel Car Co. on the one side, and the negotiated settlement as it had been set up by him and by the Chicago District Board on the other side of the paper. I mean in the other column.

Mr. JEFFERIS. Well, did this Col. Hof, was it, or General?

Col. MCFARLAND. Colonel.

Mr. JEFFERIS. When Col. Hof and Col. Hughes came to you on this Wednesday morning, he had the figures that indicated that the settlement had been arrived at by the Chicago Claims Board?

Col. MCFARLAND. He did not show me the figures on Wednesday morning; the figures I had seen on the preceding day.

Mr. JEFFERIS. Who had shown them to you on that day?

Col. MCFARLAND. Col. Hughes.

Mr. JEFFERIS. Then he had been here on Tuesday?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. He has been out there for some time at Chicago, or do you know?

Col. MCFARLAND. I think he had been there for several months. He had returned from overseas about the 1st of April, just about the time I sailed, and I believe that within a few weeks after his arrival in Washington he was sent out to Chicago. How long he had been on the claims board I did not know, as he had been sent out as ordnance officer or in some military capacity.

Mr. JEFFERIS. Well, as you understood it he was on the claims board at Chicago?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Was he the chief of it?

Col. MCFARLAND. No, sir. I think that he is now chief of that board.

Mr. JEFFERIS. Who was chief?

Col. MCFARLAND. Col. Arison.

Mr. JEFFERIS. Col. Arison or Mr. Russell?

Col. MCFARLAND. I thought Mr. Russell was, and when I saw him on the train he mentioned something about his being chief, but he said that he was on a vacation, or had left, or something of that kind.

Mr. JEFFERIS. Did Mr. Russell go out there with you to the plant?

Col. MCFARLAND. No, sir; I saw him that evening. He came into the drawing-room where we were sitting and talked with us for an hour or two.

Mr. JEFFERIS. Where was this, at Hammond?

Col. MCFARLAND. No, sir; the drawing-room going out; on the train. I saw him the next morning, but he did not go to Hammond with us.

Mr. JEFFERIS. Now, who got Col. Reeves to go out there?

Col. MCFARLAND. I don't know.

Mr. JEFFERIS. As I understood it the first you knew of your going to Chicago, Col. Hof and Col. Hughes came to you?

Col. MCFARLAND. On Wednesday morning.

Mr. JEFFERIS. On Wednesday morning?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Were you informed at that time that the Chicago District Claims Board had agreed on any amount with the Standard Steel Car Co.?

Col. MCFARLAND. From the conversation that had taken place in the office on the preceding day, that is, on Tuesday, I presumed that the Chicago District Board had agreed on this negotiated settlement.

Mr. JEFFERIS. Then you hadn't any definite information about it at that time?

Col. MCFARLAND. No; they had no final written approval of that board so far as I know.

Mr. JEFFERIS. Was there every one of that board in this case?

Col. MCFARLAND. Col. Arison signed the settlement—called the settlement contract—Col. Arison signed the award for the Chicago District Board, which presumed that the board had previously passed on it.

Mr. JEFFERIS. And you signed it also for the Ordnance Claims Board at Washington?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Had your board passed on it?

Col. MCFARLAND. No, sir; our board had not seen the detail of the case, but I had gone to Chicago to represent the board in the case.

Mr. JEFFERIS. In other words, the way these boards apparently worked, Colonel, as I get it, that Arison, by his signing it, that made it the work of the claims board at Chicago, didn't it?

Col. MCFARLAND. Yes; I presume it did.

Mr. JEFFERIS. By your signing it that purported that it was passed by the Washington Claims Board of the Ordnance Department?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. And yet you are the only one of that board that had investigated it?

Col. MCFARLAND. Mr. Graves was there and had also investigated it. Mr. Graves was in the room there.

Mr. JEFFERIS. How many are on your board?

Col. MCFARLAND. I don't know.

Col. HAWKINS. Seven officers and two alternates.

Col. MCFARLAND. The reason I do not know, a number of the board are always away investigating, and when we have three members present a quorum is said to be present and we transact business.

Mr. JEFFERIS. Well, on the War Department Claims Board, Mr. Reeves was representing it?

Col. MCFARLAND. Col. Reeves; yes, sir.

Mr. JEFFERIS. And he was the only one of that board that signed this award, was he?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. He was the only one that investigated it?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Now, does that become binding simply because one of these three distinct and separate boards signs—does that make it the action of those boards?

Col. MCFARLAND. I think it does, when those boards specifically give those people authority to act for them.

Mr. JEFFERIS. Now, for instance—

Col. MCFARLAND (interposing). I don't know; that is a question that is entirely beyond me. I do not presume to—

Mr. JEFFERIS (interposing). For instance, when you started, as I catch it now, as a representative of the Ordnance Department claims board at Washington, was any authorization given you by that board that you should represent it; that you should have the power of attorney to represent it?

Col. MCFARLAND. No further authorization than that which Col. Hof gave me when he told me to go on this case.

Mr. JEFFERIS. No written orders?

Col. MCFARLAND. No, sir. I had written orders to proceed to Chicago, but he did not give me instructions what to do.

Mr. JEFFERIS. Just to proceed to Chicago?

Col. MCFARLAND. Well, it may have said in connection with the Standard Steel Car Co. I am sure it said it was necessary in the military service, as those orders always do.

Mr. JEFFERIS. That War Department board has how many members—the one Col. Reeves is on?

Col. MCFARLAND. I don't know.

Mr. JEFFERIS. You have never seen it in operation?

Col. MCFARLAND. No; I have seen the two members, Col. Reeves and Col. Dalton.

Mr. JEFFERIS. Is it scattered over the country, too?

Col. MCFARLAND. I do not know. My relation to that board has been confined to Col. Reeves and Col. Dalton and the work they did. I do not know anything about what they did.

Mr. JEFFERIS. This board that Col. Hawkins mentioned has how many members?

Col. MCFARLAND. Seven members and two alternates.

Mr. JEFFERIS. Now, can anyone of those nine officers, if told to do something, bind that entire board as you did at Chicago, for instance?

Col. MCFARLAND. Strictly speaking, I suppose, in order to do that, they would have to have the authority of the board, but I do not know

any reason why the board can not delegate that authority. I do not know what the strict procedure in that case is.

Mr. JEFFERIS. You think that ordnance board with seven members and two alternates could delegate one of its members to go off somewhere to settle a proposition and that that would be binding, do you?

Col. MCFARLAND. So far as I know. I say I do not know what the legal procedure would be.

Mr. JEFFERIS. Not much use for a board, is there; just send a fellow out and let him settle it?

Col. MCFARLAND. The board having delegated the authority, I presume would become responsible for the acts of that one member; and if it made an error in exercising the judgment of that one member, I presume it would stand responsible for it.

Mr. JEFFERIS. In other words, you think if the one fellow made a bad guess or did not get hold of the entire facts the whole board would have to suffer for his action?

Col. MCFARLAND. I presume that would be the case. As I say, that is an entire presumption on my part, because I have never heard the matter discussed from a legal point of view, and I do not know what the authority of that board to delegate is.

Mr. JEFFERIS. Has it ever occurred before when the Ordnance Claims Board, at Washington, has sent out an individual like you were sent out to adjust a claim?

Col. MCFARLAND. So far as I know, that is the only case.

Mr. JEFFERIS. The only case?

Col. MCFARLAND. Of that particular kind, where final adjustment has been made on the ground.

Mr. JEFFERIS. On the adjustment or award, as it was made, was really signed by Col. Reeves, representing the War Department Claims Board, and yourself, representing the Ordnance Claims Board, of Washington, and by Col. Arison, representing the Chicago Claims Board?

Col. MCFARLAND. The Chicago district claims board; yes, sir.

Mr. JEFFERIS. And you were the three men that were really acting on it?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. And you were the three men that went around over the Hammond plant and looked over the stuff?

Col. MCFARLAND. Col. Arison was not with us on this day.

Mr. JEFFERIS. He was not with you?

Col. MCFARLAND. No, sir.

Mr. JEFFERIS. Who was with you?

Col. MCFARLAND. Col. Hughes was with us.

Mr. JEFFERIS. Col. Hughes was with you?

Col. MCFARLAND. There were other Government officials along; we were not the only ones.

Mr. JEFFERIS. Why didn't Col. Hughes sign this settlement if he was the one that was directing you gentlemen around?

Col. MCFARLAND. I presume it was signed by Col. Arison, because Col. Arison was the acting chief, or chief of the Chicago district claims board.

Mr. JEFFERIS. When you got to the station—that is, the railroad station—on Wednesday, was it?

Col. McFARLAND. I left Washington on Tuesday, and arrived at Englewood Station on Wednesday.

Mr. JEFFERIS. Oh, it was Tuesday that Col. Hof came into your office?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. When you got to the station on Tuesday, to go to Hammond, you say you met Col. Hughes again?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Who was with him?

Col. McFARLAND. Mr. Corey; I do not know whether anybody else was with them or not.

Mr. JEFFERIS. Who was Mr. Corey?

Col. McFARLAND. Mr. Corey was the representative of the Standard Steel Car Co.

Mr. JEFFERIS. And you say Col. Hughes and Mr. Corey had a stateroom together?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Did you visit them in there?

Col. McFARLAND. Yes, sir; I sat in their stateroom several hours that evening and perhaps an hour or so in the morning.

Mr. JEFFERIS. Well, what was the subject of your discussion? Did you have this negotiated claim up in any way while you were on the train?

Col. McFARLAND. Mr. Russell spoke to me about it. I do not believe that Col. Hughes and Mr. Corey or I talked of the claim at all. Mr. Russell, when he came in, stated——

Mr. JEFFERIS (interposing). Just where did you take up with Russell?

Col. McFARLAND. I do not remember; it was probably—I think it was before we went to dinner, although I am not real sure. But, at any rate, he came in the room with us soon and he sat there.

Mr. JEFFERIS. That would be on the day you started?

Col. McFARLAND. Yes; on Tuesday. Mr. Russell said——

Mr. JEFFERIS (interposing). What road were you on, the Pennsylvania?

Col. McFARLAND. The Pennsylvania; yes, sir.

Mr. JEFFERIS. He probably joined you about Harrisburg, did he?

Col. McFARLAND. I was of the impression that he had come from New York and that our train hooked onto the New York train.

Mr. JEFFERIS. Now, what was said about this claim?

Col. McFARLAND. Mr. Russell said that he thought Col. Hughes had negotiated a good settlement and had done better than he himself could have done.

Mr. JEFFERIS. He told you that?

Col. McFARLAND. Yes, sir. Now, he told me that rather on the side; I do not think the rest of the people in the room heard it; he was not talking to them. I am sure.

Mr. JEFFERIS. He was kind of giving you a little confidential advice as to what he thought about it, wasn't he?

Col. McFARLAND. I do not think he was giving me any confidential advice; that was not his tone. It may have been, but I did not think of it at the time. I thought he was complimenting Col. Hughes. Col. Hughes is a friend of mine; he was at the Military Academy with me, and I presume Mr. Russell knew that.

Mr. JEFFERIS. Where did this occur, that Mr. Russell was telling you that he thought Col. Hughes had made a better settlement than he could?

Col. McFARLAND. Mr. Russell and I were standing up, either standing up or sitting on the long seat on the side of the drawing-room, and Mr. Corey and somebody else were sitting on the seats. They were playing cards or games, or card tricks.

Mr. JEFFERIS. So you and Mr. Russell, as you sat there on the side-seat of this drawing-room, were talking of this claim, were you?

Col. McFARLAND. No; I think that is the only remark that was made about it. I did not know much about it. I had never heard of it only as it was presented on the preceding day and it had been talked of only a few hours or an hour and a half, I suppose. I did not know much about the claim.

Mr. JEFFERIS. Well, did they furnish you any figures or anything while you were on the train going out?

Col. McFARLAND. No, sir.

Mr. JEFFERIS. That is about all you heard about it, then, when you were on the way out, Colonel?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Now, when you got out there, who accompanied you to the Hammond plant?

Col. McFARLAND. We met Col. Reeves and Mr. Sofberg at the Englewood station.

Mr. JEFFERIS. Who is he?

Col. McFARLAND. Mr. Sofberg went out as the representative of the Technical Advisory Committee of the War Department, which Technical Advisory Committee has offices in the Ordnance Department Claims Board, and its function is to advise the Ordnance Department Claims Board on matters in reference to claims. I understand that this particular section we consulted was confined to ordnance.

Mr. JEFFERIS. Yourself and Col. Hughes and Mr. Graves and Mr. Sofberg—

Col. McFARLAND (interposing). And Mr. Cory and Mr. Jenks—

Mr. JEFFERIS (interposing). Mr. Jenks?

Col. McFARLAND. Yes; of the company, met us there with machines, some of which were Government and some of which, I presume, were company machines. I think there was perhaps one or two other men in Col. Reeves's party, but I don't know. We drove then directly to the plant at Hammond.

Mr. JEFFERIS. Now, just what did you do there before you O. K'd this claim?

Col. McFARLAND. In the morning we walked—

Mr. JEFFERIS (interposing). That is, Wednesday morning?

Col. McFARLAND. Wednesday morning.

Mr. JEFFERIS. What date was this, do you know?

Col. McFARLAND. I think about the 24th of September. I believe if I saw a calendar I could—about three weeks ago. We walked over the plant. Went from the office—

Mr. JEFFERIS (interposing). Now, Colonel, had you in your experience in the Army ever any real experience with plants of that kind or anything of that kind?

Col. McFARLAND. Yes; by being in the Ordnance Department I had made a study of plants to some extent.

Mr. JEFFERIS. Just state what you did as you walked through there.

Col. McFARLAND. The various buildings were pointed out to us, those that had been enlarged for the purposes of this contract. One big concrete storehouse, I recall, as having been pointed out, or was pointed out as having been entirely constructed for the purposes of this contract. We went into a storehouse where there was a great mass of component parts which had been partially worked. I was very much impressed there by the amount of work that had been done on this great pile of parts that filled this large storehouse. I suppose we spent 30 or 35 minutes, perhaps, walking through this one storehouse where the material was. That, of course, could not give us any idea of the value of that material, except in a very general way, but we could get an idea that the value of the material was large. The weight of the metal would not be so great, but to pick up a comparatively small piece and see how much machine work was on it would give an impression of the value of the stock in that storeroom. Then we went into the machine shop that had been enlarged for this contract. I remember some large overhead cranes in there, concerning which there was quite a discussion concerning sending them to Watertown Arsenal.

Mr. JEFFERIS. Could you tell how much of this had already been paid for by looking at it; was anything stated about that, or were you just looking at the piles of stuff?

Col. McFARLAND. We were just looking at the piles of stuff to get a physical picture of what the conditions were.

Mr. JEFFERIS. Go on.

Col. McFARLAND. After looking at the machine shop, where I noticed a good many machines had been removed, I was told that a good many machines had been sent to Watertown Arsenal, and we went through the boiler plant which had been erected for the purpose of heating the machine shop and other buildings and then went back into the office. Shortly after that we went to luncheon over at the company's hotel, which was three or four or five hundred yards away.

Mr. JEFFERIS. Do you know how much that hotel cost the Government?

Col. McFARLAND. No, sir.

Mr. JEFFERIS. Did you have any figures on it?

Col. McFARLAND. Yes; I remember figures were presented to us.

Mr. JEFFERIS. It is a pretty good hotel, isn't it?

Col. McFARLAND. Nothing fancy about it; it looked quite substantial.

Mr. JEFFERIS. About how many rooms?

Col. McFARLAND. I could not say. It was a bigger hotel than you would see in a little town and a much better hotel than you would see in a little town, but I did not look at it with a view of the number of rooms.

Mr. JEFFERIS. It is open to the general public, isn't it?

Col. McFARLAND. I do not know. I presume so, because there were a number of people in there.

Mr. JEFFERIS. After you got to the hotel?

Col. MCFARLAND. We had luncheon and went back to the plant and went into a room that was a lounging room; I suppose a club-room for the officers and the higher-paid civilians who were on duty at the plant.

Mr. JEFFERIS. Was that in a new building?

Col. MCFARLAND. I don't think so. We did not go out of the offices; we walked through a sort of a corridor into this room. And then Col. Reeves, being the senior officer present, assumed chairmanship of this committee. No one was there except Government employees and representatives. At that meeting, I suppose, there were 12 people; Col. Reeves, of the War Department, and I and Mr. Graves, of the Ordnance Board, and Col. Hughes, from the Chicago district board, and somebody from the property office——

Mr. JEFFERIS (interposing). Neither Arison nor Russell were there?

Col. MCFARLAND. No, sir; neither Col. Arison nor Mr. Russell were there. Somebody from the property office and from the accounting office, and Mr. Vail and some other gentleman, who were Government employees on duty at the plant. I do not know exactly what their functions were. I suppose they acted as Government managers, probably.

Mr. JEFFERIS. Who collected them all there; who told them to assemble in this lounging room?

Col. MCFARLAND. I think Col. Reeves had that matter in charge; just how it was negotiated I do not know.

Mr. JEFFERIS. About how many of those fellows collected there in this place?

Col. MCFARLAND. I should say there were perhaps 10; something like that.

Mr. JEFFERIS. Was Mr. Blakey there?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Well, now, after you got into this lounging room and all got together what was the next thing?

Col. MCFARLAND. The subject of salvage was first discussed, and it was discussed at considerable length. Mr. Vail had——

Mr. JEFFERIS (interposing). I thought you had a negotiated settlement agreed upon, as I understood it, before you left Washington; that is, as you understood it?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Now, what was said about that?

Col. MCFARLAND. I don't know that anything in that meeting was said to show that that was a negotiated settlement. I knew it, and I do not think that question was brought up at all.

Mr. JEFFERIS. Well, you knew it, because Russell had told you on the car?

Col. MCFARLAND. No; because Col. Hughes had told the board in the meeting on Tuesday here in Washington.

Mr. JEFFERIS. Did he tell you how much they had agreed on for a settlement?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. What did he tell you?

Col. MCFARLAND. Three million dollars.

Mr. JEFFERIS. He told you that on Tuesday before you folks started?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Was Col. Hof there then?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Who else?

Col. McFARLAND. Col. Ames was there and Mr. Graves was there: I do not recall whether anyone else was there or not.

Mr. JEFFERIS. That was \$3,000,000, including their profits, wasn't it—\$800,000 or something?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Now, then, what was the use of this meeting in the lounging room if the settlement was agreed upon?

Col. McFARLAND. The settlement was not agreed upon by Col. Reeves nor by myself. I understood it had been agreed on by the Chicago district board.

Mr. JEFFERIS. Well, now then, when you all got into this lounging room there, did anybody make a statement as to what had been done?

Col. McFARLAND. Col. Reeves acted as chairman and proceeded first with the salvage matter—the offer of salvage.

Mr. JEFFERIS. Didn't you bring it before this crowd, or whatever you want to call it, that was there, the fact that a settlement had been agreed upon and you wanted to see whether that which was agreed upon was fair and just; is that the way it was done, or how was it?

Col. McFARLAND. I do not recall what was the first thing that was said.

Mr. JEFFERIS. The first thing you remember—

Col. McFARLAND (interposing). The first thing I remember was a long discussion of the salvage offer of the company.

Mr. JEFFERIS. What was the salvage offer?

Col. McFARLAND. As I recall, it was \$900,000.

Mr. JEFFERIS. That took in machinery, buildings, raw materials, and everything?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Lump sum of \$900,000?

Col. McFARLAND. Yes; but there was a provision made, however, that certain of the machinery and materials which were at the plant could be requisitioned by the Watertown Arsenal, if the Watertown Arsenal wanted them in connection with their plant, and in connection with the construction of some of these carriages which, I understand, are going forward at the Watertown Arsenal.

Mr. JEFFERIS. Well now, was there anything said there as to what these special facilities and buildings and materials had cost the Government?

Col. McFARLAND. I think that was all gone into. Mr. Vail, one of the Government representatives there, had a list which he had prepared, which I think showed the cost as well as the salvage offer, and the salvage price which he considered fair and just.

Mr. JEFFERIS. Well, about what was the cost of this stuff and special facilities?

Col. McFARLAND. I have no idea.

Mr. JEFFERIS. Wasn't it over \$1,000,000 or \$5,000,000?

Col. McFARLAND. I don't know. I have not consulted the file in this case since I came back.

Mr. JEFFERIS. Well, who did you depend on there in arriving at the conclusion that you should sign the paper?

Col. McFARLAND. I depended on the district board; the specific information as given by Col. Hughes, and substantiated by his staff, of whom I considered Mr. Vail one.

Mr. JEFFERIS. Did you ask any question about what was the cost of this stuff and what it consisted of?

Col. McFARLAND. Yes; I think I was quite active in the discussion.

Mr. JEFFERIS. Do you know how much the hotel cost?

Col. McFARLAND. No, sir.

Mr. JEFFERIS. You do not know how much any of the additional buildings cost?

Col. McFARLAND. No; I remember quite a discussion about that concrete storehouse, because it, apparently, was made against the advice of the company. But I do not recall what the figures were. My idea was in arriving at the justness of the claim and satisfying myself that the figures which were given were satisfactory. I did not attempt—

Mr. JEFFERIS (interposing). Did you go into the question of the quantity of scrap material that was there at all?

Col. McFARLAND. In weight, you mean?

Mr. JEFFERIS. Yes.

Col. McFARLAND. No; I have no recollection of going at all into the weight of material. The salvage offer, as shown by Mr. Veil, convinced me that the money which was being offered was reasonable and was all that could be obtained for it.

Mr. JEFFERIS. Did you know at that time that anybody had been asked to bid on that until about a couple of hours before you got there?

Col. McFARLAND. No, sir.

Mr. JEFFERIS. You did not know that?

Col. McFARLAND. No, sir; I understand that the claim had been under negotiation for several months; I understand, I think, three months.

Mr. JEFFERIS. Who told you that?

Col. McFARLAND. Col. Hughes, here in Washington, on Tuesday had stated that the matter had been a long time under consideration, and I did not discount that in the impressions I received from the Government officials that were on the job.

Mr. JEFFERIS. In other words, you took them at 100 per cent all the way through?

Col. McFARLAND. Practically; although I asked enough questions to satisfy myself on points that appeared to be doubtful.

Mr. JEFFERIS. Did Corey or Jenks tell you anything about what the value of these special facilities were?

Col. McFARLAND. I don't think so. I remember I did ask Jenks one question about the value of one thing; I don't remember what it was, and he said so and so. I said, 'Will you state that under oath?' He said, "I will."

Mr. JEFFERIS. When was this?

Col. McFARLAND. This was Thursday morning, in the district office.

Mr. JEFFERIS. How long did this last in the lounging room?

Col. McFARLAND. I presume we went in there about half past 1 and left there about 5; I should say after 1, rather than before 5, because, as I recall it, I did not leave the plant until nearly 6.

Mr. JEFFERIS. At the time you left there that afternoon did you think this negotiation was about right?

Col. McFARLAND. Yes, sir; I was satisfied with it.

Mr. JEFFERIS. In that length of time?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. After you heard it discussed?

Col. McFARLAND. Yes, sir; because I felt that I was out there to satisfy myself as to the correctness of what somebody else had done; I did not endeavor to do the work myself.

Mr. JEFFERIS. You were sent out there to see how big the thing was; to see how big the plant was, and so forth?

Col. McFARLAND. In the nature of a review more than to go into the detail of it; yes.

Mr. JEFFERIS. Was there anything said about whether any of these things had been audited or not in this lounging room that you have talked about.

Col. McFARLAND. Yes, sir; a number of questions were asked about an audit, and on this one particular item——

Mr. JEFFERIS (interposing). Did they say they were audited?

Col. McFARLAND. The statement was made that some of them were audited. Now, because it was a negotiated settlement I knew that all of the items were not audited; that some of them had to be estimated.

Mr. JEFFERIS. Who did you understand negotiated this settlement?

Col. McFARLAND. I understand that Col. Hughes negotiated this settlement for the Government; I do not know who the representative of the company was.

Mr. JEFFERIS. Well, this company originally started to get several millions, didn't it?

Col. McFARLAND. I think their original claim was over \$6,000,000.

Mr. JEFFERIS. So the negotiated settlement, as you figured, cut that about fifty-fifty?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. Do you know how those figures were arrived at?

Col. McFARLAND. You mean the \$3,000,000?

Mr. JEFFERIS. Yes, sir.

Col. McFARLAND. No, sir; I presume the Government agent on one side of the table and the other agent on the other side of the table, and went about it just as you would negotiate a price on an article if the Government were buying it; the man who wants the order gives a certain price and the Government man says, "That is too much," and they figure and dicker and give and take until they finally arrive at a price which appears satisfactory to the Government officer and which the contractor is willing to accept. That is a picture that I have of this negotiated settlement, but I knew that it could not have been settled in one afternoon, or in one sitting; I presumed that it had extended over a number of meetings and over a long time.

Mr. JEFFERIS. Now, the Government, as a matter of fact, had a lot of cost accountants out there, didn't it?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. What other men did they have there on the job?

Col. McFARLAND. I don't know what particular men they had there; at nearly all plants that are doing work of that sort there is a cost accountant, a property officer, an officer who approves expenditures for increased facilities.

Mr. JEFFERIS. Did you have any figures there in this meeting, this lounging room, any of these facts that you have been mentioning: did you go over anything there or not?

Col. McFARLAND. The property officer was consulted about several things, but it was more of a technical discussion as to how the property was going to get off of his papers. I do not think that these men discussed the question, except possibly in substantiation of some of the items which Col. Hughes had written down and which were questioned. In other words, we did not ask them to produce the original evidence on which Col. Hughes had made up his tabulation; but in case we wanted to ask any further question in substantiation of this tabulation we would call upon those representatives of the various sections.

Mr. JEFFERIS. That is, in other words, you and Col. Reeves; if you and Col. Reeves wanted to ask any questions of these other governmental officials, so as to throw any light on the figures that Col. Hughes had made, you and Col. Reeves had the privilege of doing that?

Col. McFARLAND. Oh, it was not a question of privilege; everybody had—

Mr. JEFFERIS (interposing). I say, that is what you would do?

Col. McFARLAND. I asked Col. Hughes in this particular instance I cited before. I asked Col. Hughes a question about his particular figures and the information was supplied by Mr. Blakey. I do not know that I asked Mr. Blakey; I do not think I did. I do not think I knew who he was.

Mr. JEFFERIS. As a matter of fact, Colonel, this was a cost-plus contract?

Col. McFARLAND. Yes, sir; cost plus and fixed profit.

Mr. JEFFERIS. Don't you think that the Government, having all those figures, that this could have been figured out without all this negotiated settlement?

Col. McFARLAND. I presume it could in time. My understanding was the negotiated settlement was the promptest one that could be made and the one most profitable to the Government. I did not go into the question of getting a detailed cost on everything, in accordance with the method that is followed in some contracts.

Mr. JEFFERIS. Did there seem to be considerable anxiety on the part of the Steel Car Co. to get this money and to get it quickly?

Col. McFARLAND. I did not notice that out there, but after I returned to Washington a form which has to be signed—

Mr. JEFFERIS. Form C?

Col. McFARLAND. No; not Form C; it is some financial form—that is, the only one I ever saw was this particular one.

Mr. JEFFERIS. That is, in this case?

Col. McFARLAND. Yes; has to be signed by a Government official.

Mr. JEFFERIS. Who, for instance?

Col. McFARLAND. In this case I signed it—before a contractor could get his pay. That was presented to me shortly after I came

back. I did not sign it because Mr. Sofberg had raised some question about the audits about expenditures that had been made by the Government, so that certificate which had already been signed by Mr. Cory as representative of the Steel Car Co.—

Mr. JEFFERIS (interposing). He presented it to you, did he?

Col. McFARLAND. No; I was in a Claims Board meeting; it was presented to me by some clerk or other Government official. I sent it back without signing it and discussed the matter of sending a telegram to the District board to have substantiated or disapproved the fact that the Government expenditures had been audited. The telegram was sent, and then a few hours after it was sent I talked with Col. Arison on the telephone. Col. Arison was in Chicago. Col. Reeves and Mr. Sofberg were with me while I was talking. Col. Arison gave me the information that the bills had been audited, but instead of signing the certificate I waited for the telegrams to come from the Chicago office, which would be a written statement to the effect that the Government expenditures had been audited. On receipt of that telegram I sent it to Mr. Sofberg, asking him if that appeared to cover the question which he had raised. He sent the telegram back to me, saying, "Seems O. K.," with his initials signed. I then signed the certificate, which apparently was all that was necessary for the Standard Steel Car Co. to get their check from the finance officer.

Mr. JEFFERIS. How large was that check?

Col. McFARLAND. Well, I think the certificate was for \$2,100,000, or \$2,200,000.

Mr. GRAHAM. \$2,200,000.

Mr. JEFFERIS. And then he got a check besides that for \$800,000 or something?

Col. McFARLAND. I presume they did. My understanding is that the \$800,000 is payment for profit which they are entitled to under the terms of the contract.

Mr. JEFFERIS. Does that end it now, do you think? Do you think they have any other claims?

Col. McFARLAND. They have other claims; yes, sir.

Mr. JEFFERIS. This Standard Steel Car Co.?

Col. McFARLAND. Yes, sir; the Standard Steel Car Co.

Mr. JEFFERIS. What for?

Col. McFARLAND. I don't know. This morning I passed an examiner and he told me that he was working on two claims from the Standard Steel Car Co. The Standard Steel Car Co. has some sort of an office or plant in Pittsburgh. I think that the claim which we settled at Hammond is the only claim—I am sure it is the only claim which will come from the Hammond plant.

Mr. JEFFERIS. What did you do about the settlement for the Standard Electric Co. devices out there; did you settle that, too?

Col. McFARLAND. That was a part of the claim of the Standard Steel Car Co.

Mr. JEFFERIS. Did you allow that?

Col. McFARLAND. I think it was allowed in its entirety.

Mr. JEFFERIS. \$121,000 and something?

Col. McFARLAND. I do not recall the figures. I did not know about the scandal that has been told about that electric case; it was told to me afterwards.

Mr. JEFFERIS. You got that after you signed?

Col. MCFARLAND. Yes, sir; after the discussion, as a matter of gossip; but it was brought out that it was a very poor contract which the Standard Steel Car Co. had entered into, and that as soon as the Standard Steel Car Co. had found out that it was a poor contract they had canceled it.

Mr. JEFFERIS. Who told you that, now?

Col. MCFARLAND. I don't know.

Mr. JEFFERIS. Where did you get that information? Can't you refresh your recollection as to how anxious the Standard Steel Co. was about that?

Col. MCFARLAND. No; my recollection is that it came out in the meeting in this so-called lounging room. It was before I had signed the award. Maybe I did not understand your question.

Mr. JEFFERIS. Who told you that the Standard Steel Car Co. had canceled as soon as—

Col. MCFARLAND (interposing). I am quite sure that that was brought out in the meeting in the lounging room on Thursday afternoon.

Mr. JEFFERIS. Do you know who stated it?

Col. MCFARLAND. No, sir.

Mr. JEFFERIS. Was there any discussion relative as to whether or not this claim should be allowed for this Standard Electric Co.?

Col. MCFARLAND. There was some discussion; I do not recall how extensive it was. The recollection or impression I have of the matter is that it was a contract which the Standard Steel Car Co. had entered into with the approval of the Government officials who were stationed at their plant for the purpose of approving such contracts and that the company had actually paid out the money claimed, and that, therefore, the Government was obligated to refund it to the company.

Mr. JEFFERIS. In other words, the Standard Steel Car Co. claimed that it had actually paid out this money, did it?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Was anything said that a large part of that had been held up at any time by any Government official?

Col. MCFARLAND. I recall nothing of that kind.

Mr. JEFFERIS. And that payment had been refused for some hundred thousand dollars of it by a former Government official?

Col. MCFARLAND. No; I do not recall that that was brought out.

Mr. JEFFERIS. Nothing like that said?

Col. MCFARLAND. I have no recollection of it.

Mr. JEFFERIS. Well, was there anything said about any bids for any special facilities or hotel, or anything, there?

Col. MCFARLAND. Nothing was said about bids, unless the remark was made that certain people had looked at the material and had offered something lower than the company itself was offering.

Mr. JEFFERIS. Now, who made that statement there, Col. McFarland?

Col. MCFARLAND. I recollect that Mr. Vail discussed matters of that kind. Now, I don't think anyone else entered into any of those discussions; he had the floor when it came to the prices on salvage and salvage offers.

Mr. JEFFERIS. Well, now, do you mean to say that Mr. Vail there stated that offers had been made for raw materials, we will say, that much lower than what the company was offering?

Col. MCFARLAND. No; I do not know that he made that exact statement. His presentation of the case was such as to show that the offer of the company was the best that could be obtained.

Mr. JEFFERIS. Well, that took in buildings and everything?

Col. MCFARLAND. Yes; but he itemized it. He took it detail by detail.

Mr. JEFFERIS. So he claimed, as you understood it, that even for scrap material that the offer of the company was more than what they could get for it outside?

Col. MCFARLAND. It seems to me that there was one of two items about which there was some question as to whether the company was offering as much as somebody else would offer or had offered, but in that case it was a matter of picking out a very small part of the total salvage and letting somebody cart it away, which would have destroyed the whole salvage value, or the whole salvage offer as made by the Standard Steel Car Co.

Mr. JEFFERIS. And they would not make any offer if they did not get the scrap, is that it?

Col. MCFARLAND. Yes; that we took away the parts on which we could get a good scrap value the company would not make an offer on what remained; so that take it all in all, as a total proposition it was much to the Government's advantage to take the offer of the Standard Steel Car Co. instead of splitting it up and maybe being left with a large amount of material on the Government's hands.

Mr. JEFFERIS. Who stated that?

Col. MCFARLAND. Well, that was the conclusion from Mr. Vail's testimony.

Mr. JEFFERIS. Mr. Vail now was in the employ of the Government?

Col. MCFARLAND. He was in the employ of the Government.

Mr. JEFFERIS. What did Corey and Jenks have to say there?

Col. MCFARLAND. Corey and Jenks were not called into this meeting, except Mr. Corey was called in to settle this point about the overhead, concerning which Mr. Blakey did not agree with Col. Hughes, and then at a subsequent time.

Mr. JEFFERIS. Let us go into that. In what respect did they not agree?

Col. MCFARLAND. That was the matter that I discussed in connection with Mr. Graham's question. It was a matter of overhead. The figures of Col. Hughes covered overhead for 1918.

Mr. JEFFERIS. They had been paid that?

Col. MCFARLAND. It was paid. Mr. Blakey stated they had something more than that; it seems to me the figure was around \$700,000 or something. That figure comes to my mind. Col. Hughes stated that he did not know of that figure, and did not know what it was. Mr. Blakey either could not or did not enlighten us on that figure, so Mr. Corey was called in to explain what this apparent discrepancy was, and he explained it by saying that Col. Hughes's figures was the amount paid, or that Col. Hughes's figures was the overhead considered in 1918, and that the figure which Mr. Blakey had presented included overhead in 1917 and in 1919, so that the figure which we wanted was the figure which Col. Hughes had presented.

Mr. JEFFERIS. So Corey and Hughes seemed to agree, and Blakey was outnumbered then?

Col. MCFARLAND. Well, Col. Hughes did not know what this other figure was of \$700,000 and something.

Mr. JEFFERIS. But Mr. Corey did?

Col. MCFARLAND. Mr. Corey did.

Mr. JEFFERIS. So that the fact, Mr. Blakey—

Col. MCFARLAND (interposing). No; I think Mr. Blakey agreed to that figure.

Mr. JEFFERIS. Well, did he or did he not?

Col. MCFARLAND. Well, I understood that he did, because he did not make any further discussion of it.

Mr. JEFFERIS. Well, did anybody shut him off?

Col. MCFARLAND. No.

Mr. JEFFERIS. He seems to think that he was shut off from any discussion out there?

Col. MCFARLAND. I thought that there was no question about that item; that he agreed with it. It never has occurred to me that there was any question about that item. Now, I would like to go on and say that later—on this question I was interrupted, and I was going to say that later on Mr. Corey and Mr. Jenks were called in to the meeting and asked to agree to certain revisions which would allow certain material to be taken away if requisitioned by the Watertown Arsenal, but except for those two purposes the Government officials were the only persons who attended this conference.

Mr. JEFFERIS. Well, did you get through that night, or did you have a conference the next morning?

Col. MCFARLAND. No; the next morning we went to the district board office to draw up the statements and wind up the thing and sign the necessary papers.

Mr. JEFFERIS. That is, the 26th.

Col. MCFARLAND. Well, it was Friday.

Mr. JEFFERIS. That was the next morning; that is when Col. Arison and this Col. Reeves and yourself signed that award?

Col. MCFARLAND. Yes; as a matter of fact, I think we did not get them signed until early in the afternoon, but we were there in the morning.

Mr. JEFFERIS. And then you caught your train back to Washington?

Col. MCFARLAND. Yes, sir; Mr. Graves and I stayed there until Saturday, and came back on Saturday, arriving here on Sunday.

Mr. JEFFERIS. Did Corey come back with you?

Col. MCFARLAND. No, sir.

Mr. JEFFERIS. Or Hughes?

Col. MCFARLAND. No, sir; I have not seen Mr. Corey again until here in Washington; I have seen him here twice.

Mr. JEFFERIS. I think that is all.

(And thereupon, at 12.10 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee resumed its session at 2 o'clock p. m., pursuant to the taking of adjournment.

Mr. GRAHAM. Mr. Garrett, you may proceed.

Mr. GARRETT. I have a few questions I would like to ask. I believe you stated, Colonel, that the first you knew of there being any such claim as this Standard Steel Car Co. was on a Tuesday afternoon?

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. About the 20th of September?

Col. MCFARLAND. Between the 20th and the 24th; a little later than the 20th probably.

Mr. GARRETT. And will you repeat again, please, just how that information came to you?

Col. MCFARLAND. The Ordnance Claims Board was in session that afternoon; either while it was in session or immediately after it had adjourned—at any rate, after it had considered the calendar that had been prepared for that day, Col. Hughes presented for the considerations of the members of the board the subject of the Standard Steel Car Co.'s claim.

Mr. GARRETT. Was Col. Hughes at that time a member of the Chicago district claims board?

Col. MCFARLAND. I presumed that he was.

Mr. GARRETT. Well, do you know, as a matter of fact, he was, or was a special representative of that board?

Col. MCFARLAND. No; I do not.

Mr. GARRETT. Nor had you heard?

Col. MCFARLAND. No; I don't know. That question never occurred to me, and I never have heard any discussion of it.

Mr. GARRETT. Well, in presenting it what did he say about the matter, as best you can recall?

Col. MCFARLAND. He stated that this case had been pending for a number of months; that he had arrived at a negotiated settlement with representatives of the company; that in arriving at this negotiated settlement he had taken the items which were claimed by the company and had gone over them one by one saying to the representatives of the company, for example, "This item can not be allowed; it is clearly not allowable in accordance with our usual rules, but instead of setting up this item we can allow you an item of so much money to offset this claim of yours under an item which we will allow and which will be allowable under the rules and regulations under which we work." He went right down through the list with them allowing claims as set up by the Standard Steel Car Co., where they were allowable, or refusing them where he thought they should be refused or substituting an allowable amount under an allowable heading where their claim was not allowable under the heading under which they set it up, and by negotiating back and forth on that principle he had finally persuaded them to agree to \$3,000,000 as a negotiated settlement, but which negotiation was substantiated by those items which he had sketched out as being allowable.

Mr. GARRETT. Now, that was stated there, as I understand, or that Tuesday afternoon?

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. How much time did you spend there with that claim that afternoon?

Col. McFARLAND. I think that afternoon we did not discuss it for more than an hour or an hour and a half; I should say nearer an hour rather than an hour and a half.

Mr. GARRETT. Was Mr. Corey present at the time?

Col. McFARLAND. No, sir.

Mr. GARRETT. No one representing the Standard Steel Car Co.?

Col. McFARLAND. No, sir; Mr. Corey may have been in the office, but not in the room where the board was sitting.

Mr. GARRETT. No one but the board?

Col. McFARLAND. No one but the board and the Government representatives.

Mr. GARRETT. Well, was there any even tentative conclusions arrived at touching the claim?

Col. McFARLAND. No, sir; excepting with reference to the salvage value, which was agreed to by the members of the board, and also the War Department Claims Board representative, Col. Dalton.

Mr. GARRETT. Do you know whether Col. Dalton had any previous information touching that matter?

Col. McFARLAND. No, sir; I do not.

Mr. GARRETT. You stated early in your testimony that Col. Dalton had said that he would approve the salvage claim?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. He stated that after hearing Col. Hughes's presentation of the matter?

Col. McFARLAND. Yes, sir; quite a discussion of the salvage claim was indulged in at that time.

Mr. GARRETT. By the salvage claim you mean touching the buildings and scrap material?

Col. McFARLAND. Yes, sir; the claim for which the company, as I understand it, offered \$900,000.

Mr. GARRETT. Well, did Col. Hughes suggest that representatives of the boards here go out there and take the matter up?

Col. McFARLAND. I have no recollection of that. My recollection of it is that we sat talking about the claim until pretty late, and then adjourned as it was so late, and that the only thing which we decided at all was in reference to the salvage offer; that the rest of the thing was hanging in the air.

Mr. GARRETT. I suppose, of course, that this was the first time that this claim had been brought to the attention of the board here?

Col. McFARLAND. So far as I know.

Mr. GARRETT. The first time?

Col. McFARLAND. It was the first time that it had ever been brought to my attention.

Mr. GARRETT. Was there anything unusual about this claim differing in any respect from a large number of other claims?

Col. McFARLAND. The amount was larger than most of the claims, and generally the claims are not settled by negotiation; that is, they are set up on cost basis, rather upon a negotiated basis, although very frequently we have negotiated items in a claim that is otherwise set up according to cost methods.

Mr. GARRETT. I am just a little bit curious to know, if you know, what there was about this particular claim that caused the authorities here to send representatives out there to settle it; that was an unusual procedure, Colonel, you have stated?

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. Do you know——

Col. MCFARLAND (interposing). No; I can only presume. I heard no discussion of it from the time we left the board on Tuesday afternoon until I received my instructions from Col. Hof to go to Chicago on the following morning, and I do not know what discussion of it took place in the meantime.

Mr. GARRETT. Well, were there any papers placed in your hands?

Col. MCFARLAND. No, sir.

Mr. GARRETT. Affecting the claim?

Col. MCFARLAND. No, sir.

Mr. GARRETT. You did not have the original claim?

Col. MCFARLAND. No, sir.

Mr. GARRETT. And you carried no papers at all?

Col. MCFARLAND. I carried no papers whatever.

Mr. GARRETT. Have you ever seen the original claim?

Col. MCFARLAND. I saw a pamphlet, perhaps, the size of that [indicating notebook] that was gotten out by the Standard Steel Car Co. and is their original claim and facts on that subject. I glanced at that pamphlet while I was in Chicago.

Mr. GRAHAM. The pamphlet which the witness is describing is about 6 by 8 inches, and about one-quarter of an inch thick.

Col. MCFARLAND. I should say nearer three-eighths of an inch thick.

Col. HAWKINS. Might I say, that is a synopsis of the big claim; we can given you copies of it.

Mr. GRAHAM. You mean the pamphlet which the witness is now speaking of is a summary of the large claim?

Col. HAWKINS. Yes; with the blue prints and photographs. We can give you a copy of that if you care for it.

Mr. GARRETT. That was a printed pamphlet?

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. So that all you really had before you in the way of written data at any time was the award made by the Chicago board, or did you have that?

Col. MCFARLAND. The award made by the Chicago board was drawn up on Friday morning and signed by the representatives of the various boards. That is, Col. Arison, Col. Reeves, and myself, sometime shortly after noon, as I recall it, on Friday.

Mr. GARRETT. Well, that was not the award of the Chicago district board, was it; I am speaking of the Chicago district board. They made an award upon which the award of the three officers was predicated, did they not?

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. The award of the Chicago district board?

Col. MCFARLAND. Yes; we had a sheet, if I may glance at this [indicating papers]——

Mr. GARRETT. Yes.

Col. MCFARLAND. This sheet which is marked "Award, Chicago district claims board"; I see no form number on it. They had a sheet similar to that which I also saw.

Mr. GARRETT. Do you remember when you first saw that; did you see that before you first left Washington?

Col. MCFARLAND. I think that I did not see it before I left Washington; that I did not see it until I arrived in Chicago. I am not at all sure I saw it until I arrived at the Chicago office, although it probably was among the papers which Col. Hughes had at the Hammond plant.

Mr. GARRETT. Well, I notice this particular paper here at which you have looked in the files is dated September 26; that would have been the date, probably, that you were there, the day the final award was made?

Col. MCFARLAND. I expect the 26th was around Thursday or Friday, although I do not know for sure.

Mr. GARRETT. Well, the award made by you and Col. Reeves——

Col. MCFARLAND (interposing). And Col. Arison.

Mr. GARRETT (continuing). And Col. Arison, was also of the rate of September 26.

Col. MCFARLAND. It was, you say?

Mr. GARRETT. That is my recollection.

Col. MCFARLAND. We signed it on Friday.

Mr. GRAHAM. That was the 26th.

Mr. GARRETT. The same day. Did Col. Hughes have any particular number of papers with him at the time he was here and called this matter to the attention of the board, Colonel?

Col. MCFARLAND. He did not show me any papers; the only papers I remember looking at showed the items as claimed by the Standard Steel Car Co., and the items as revised by him in an additional column, and which he felt were just, and on which he based his negotiated settlement of \$3,000,000.

Mr. GARRETT. And you examined none of those on your way out there?

Col. MCFARLAND. No, sir.

Mr. GARRETT. And you had no additional papers before you when you met in this lounging room of the hotel to which you have referred?

Col. MCFARLAND. Col. Hughes had a number of papers with him. I did not examine any of them in detail, except I remember walking to his chair and looking at the papers that he had in special reference to the items of overhead expense which I had mentioned before. Now, whether that item was on this particular form that I have described, or was on his original memorandum, I do not recall.

Mr. GARRETT. Well, there is an item in here that is in the copy that has been put in evidence before this committee during the testimony of Mr. Blakey which one item is, "Direct labor and overhead expense, none." Now, what there may be further on I do not know; but leaving that for the present, did Mr. Graves, who accompanied you as an expert, as I understand——

Col. MCFARLAND (interposing). I think he merely accompanied me as a member of the board, and was detailed to accompany me primarily because he had previously been to Chicago and had considered this case at some previous time.

Mr. GARRETT. Well, that is just what I was about to ask you, whether he had had any opportunities of examining these papers or any other part of this claim other than you had?

Col. MCFARLAND. Yes; he had. It was represented to me that he had.

Mr. GARRETT. Well, you have stated that your attention was not directed to the bid of Briggs & Turvis. Whose duty would it have been if it was the duty of any one, to have brought that matter to your attention, the fact that bids had been offered for some of this material?

Col. McFARLAND. I think Mr. Vail should have done that; if he neglected to do it, Col. Hughes should have done it, if it had a bearing upon our consideration.

Mr. GARRETT. Was each of these items taken up one by one and discussed?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. I believe the Government did not pay for the hotel there, did it?

Col. McFARLAND. You mean the construction of the hotel?

Mr. GARRETT. Yes.

Col. McFARLAND. It is my understanding that that hotel was put up by the company and at the company's expense.

Mr. GARRETT. And the Government did not in the final settlement pay for the building itself?

Col. McFARLAND. I think not. I think they were doing a certain amount of it and paid for the loss in the operating expenses.

Mr. GARRETT. Yes, "Losses to June 30, 1919, on hotel dormitory dining room, \$40,926.99." Upon what theory was that item allowed, Colonel?

Col. McFARLAND. That item was allowed on the theory that the only way the company could get employees at that plant was to have some place to house them, and that the hotel acted as a sort of clearing house to allow employees to stay there until they had time to find a boarding house or a rooming house or other permanent accommodations.

Mr. GARRETT. Do you mean that this hotel was occupied principally by laborers?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. At the plant?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Do you know how it happened that they ran at a loss?

Col. McFARLAND. No, sir; I think the statement was made that their rates were very reasonable, or something of that kind. I do not know, only that statement was made.

Mr. GARRETT. Well, here is another item of 10 per cent profit on worked-direct materials, labor, and overhead, \$656,394.05; do you remember anything about that item?

Col. McFARLAND. I do not remember that item specifically. Our general rule in the claims board with all cases is to allow 10 per cent profit on worked-direct materials, when those materials had been worked in the plants of the prime contractor. We also allow 10 per cent on direct labor and overhead; that is a profit or remuneration. I do not recall which wording was used.

Mr. GARRETT. That was on specially completed material, was it: partially completed mechanisms?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. "Unabsorbed administrative expense, \$261,251.45." Just what does that mean?

Col. MCFARLAND. I do not remember that specific item. There is an item in there which covers the allotment or overhead expenses for the Hammond plant, which was set up at some previous date by the Standard Steel Car Co. The arrangement was something like this: The Standard Steel Car Co. having, we will say, three plants, it found that the overhead of those plants for the year amounted to so many thousands of dollars. At the beginning of the year they arbitrarily said, plant A, for example, will bear such and such overhead; plant B will bear such and such overhead; and plant C will bear such and such overhead. The total overhead of the plants A, plus B, plus C, being the total overhead expense of the Standard Steel Car Co. Now, one item in there is the item of overhead expense assigned to the Hammond plant of the Standard Steel Car Co.

Mr. GARRETT. That is included, you think, in this unabsorbed administrative expense?

Col. MCFARLAND. If I may glance at that?

Mr. GARRETT. Surely [handing papers to Col. McFarland].

Col. MCFARLAND. Yes; I think that item, "Unabsorbed administrative expense" is the item that carries that charge.

Mr. GARRETT. You spoke of the provision as to requisitioning materials to be sent to the Watertown Arsenal.

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. Of course, if the Government requisitioned any of that material that was retained by the company it was to pay for it?

Col. MCFARLAND. No, sir; the understanding was that the Watertown Arsenal requisitioned for practically everything it wanted, but if there might be a few items which the Watertown Arsenal either had overlooked or had not yet seen the requirement for, that they might place a requisition. Now, the provision was put in that the Standard Steel Car Co., within reason, should furnish the material requisitioned by the Watertown Arsenal without further expense to the United States.

Mr. GARRETT. Well, do you know, as a matter of fact, whether there was anything requisitioned, or has been since the settlement?

Col. MCFARLAND. Well, I don't know. I heard from some one in the Ordnance office, I do not know who told me, that there had been a number of requisitions.

Mr. GARRETT. Was this item of \$476,184.51 for passenger-car work done in freight shop investigated?

Col. MCFARLAND. The question was raised about that, and it was stated that that sum could be substantiated without question; in fact, that an audit would show that the loss was more than that amount.

Mr. GARRETT. I believe you stated that you did not know the cost of the salvaged material; the original cost of the salvaged material?

Col. MCFARLAND. No; I do not know. The cost, I am quite sure, was stated during the afternoon that we discussed the matter, but I have no recollection of what it amounted to.

Mr. GARRETT. I find in the files which has been sent to this committee from the department certain telegrams, or copies of telegrams; one, under date of September 29, addressed to the Ordnance District Claims Board, 165 East Superior Street, I guess it is, in Chicago, Ill., as follows:

SEPTEMBER 29, 1919.

TO ORDNANCE DISTRICT CLAIMS BOARD,

165 East Superior Street, Chicago Ill.:

With reference to claim Standard Steel Car Co., the understanding of members attending meeting in Hammond last Thursday was that all Government expenditures on this claim had been properly audited. Just before train time Mr. Blakey, of Chicago district office, made some statement to several members of the committee present at the meeting above referred which would indicate that there was a question whether such auditing had taken place or not. Please confirm understanding in this matter, and send us by special delivery statement by Mr. Blakey which you have at hand showing that such auditing has been made.

ORDNANCE CLAIMS BOARD.

Do you know anything about that?

Col. MCFARLAND. Yes; Mr. Sofberg, of the Technical Advisory Committee, dictated that telegram in my office.

Mr. GARRETT. He returned with you to Washington, did he?

Col. MCFARLAND. No, sir; he came back by some other train; he was not on the same train that I was on.

Mr. GARRETT. Do you know how he happened to send it?

Col. MCFARLAND. He talked to me about the matter before he dictated the telegram, and said that as some question had been raised about the matter he felt that before any further action he should be set straight on the matter, so he desired to send that telegram and wait for a reply from the Chicago district board before the certificate was signed which would authorize the financial men to pay the amount of money awarded to the Standard Steel Car Co.

Mr. GARRETT. The check had not then been issued?

Col. MCFARLAND. No, sir.

Mr. GARRETT. By the way, just in that connection, after you had signed this award, which I believe you say was done at the office of the Chicago district claims board—

Col. MCFARLAND (interposing). Yes, sir.

Mr. GARRETT. What was done with it?

Col. MCFARLAND. I don't know.

Mr. GARRETT. You did not bring it back to Washington?

Col. MCFARLAND. No, sir.

Mr. GARRETT. Did you bring a copy of it back?

Col. MCFARLAND. No, sir.

Mr. GARRETT. Well, where, normally and naturally, would that have gone?

Col. MCFARLAND. That normally would have been retained by the Chicago district board, to have been sent to Washington with all the papers in the case; that is the normal procedure. In this particular case, as the award had already been signed, I do not know what—there was no normal procedure for that, because that, so far as I know, is the only case of that kind. But, at any rate, the Chicago district board should have taken care of the papers. I do not know whether they did or not.

Mr. GARRETT. Now, Colonel, I want to call your attention particularly to the wording of this telegram—the latter part of it:

Please confirm understanding in this matter.

The telegram as read has already stated what the understanding was.

Col. MCFARLAND. Yes, sir.

Mr. GARRETT. Namely, that there had been an auditing?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Now, the telegram states:

Please confirm understanding in this matter and send us by special delivery statement of Mr. Blakey, which you have at hand, showing that the auditing has been made.

Is there any significance attached to that wording? I mean this, Colonel: The telegram does not ask whether it is a fact; it does not inquire what the facts were. It simply states that it was the understanding of those members who visited there that the audit had been made and then that Mr. Blakey told some of them just before train time some things that cast doubt about that, and the inquiry is not whether it had been made, but asks that the understanding of the committee be confirmed. Is there any significance to be attached to that?

Col. McFARLAND. I don't think so. Mr. Sofberg may have felt that the Government expenditures had been audited and he wanted a written statement to that effect before letting the matter proceed as protection to himself. I have not thought of that particular phase before; as he dictated the telegram I listened to him and I merely thought that he was asking for information which they had on this particular subject. I had previously seen the letter that is referred to there. I do not know whether Mr. Sofberg had seen that letter or not.

Mr. GARRETT. You mean the letter that Mr. Blakey wrote?

Col. McFARLAND. Yes. I did not read that letter; I was talking to Col. Arison and Col. Hughes a moment when a question arose and Col. Hughes left the room and came back with this letter. I remember seeing Col. Hughes with this letter.

Mr. GARRETT. When was this?

Col. McFARLAND. This was in the office of the district board on Friday morning.

Mr. GARRETT. When you met to draw up the award?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. How came that about; how came Col. Hughes to go out and get that letter?

Col. McFARLAND. After I had talked with Mr. Blakey in the hall, after he had called me out there, and after listening to what he had to say, I told him that if he had the view on the subject that he had just expressed that he had been negligent not to have expressed those views at the meeting the preceding day; that if he now felt that way that I thought it was a matter which should be reported to his own chief rather than to me. I went inside and told Col. Hughes that Blakey had made some such remarks as casting a doubt on the audit of some of those items and then Col. Hughes left the table and the next time I saw him was in this other room where he and Col. Arison and Mr. Blakey were talking. Col. Arison had come and asked me to go into that room where they were.

Mr. GARRETT. Col. Hughes had the letter there, did he?

Col. McFARLAND. Col. Hughes went from this room into the office some place and came back with this letter; so that I knew such a letter existed; I didn't know exactly what the letter said.

Mr. GARRETT. You did not read it?

Col. McFARLAND. No, sir.

Mr. GARRETT. Well, what did Hughes say about it in the room there?

Col. McFARLAND. Col. Hughes read from this letter to Blakey certain statements which Blakey had made in the letter about the audit of those accounts, the purport being that either Blakey had stated that those items had been audited, or if they had not been audited that they were subject to audit, or could be verified, or were reasonable estimates.

Mr. GARRETT. Was Blakey present then?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Did he say anything about it?

Col. McFARLAND. No; he merely said that he wanted me to understand that the statement that had been made to me that the accounts had been audited was not correct. He did not reply, as I recall it, to any of the specific quotations which Col. Hughes read.

Mr. GARRETT. Well, did there seem to be any feeling between him and Col. Hughes then at that time?

Col. McFARLAND. Yes; and Blakey rather irritated me too.

Mr. GARRETT. How did he irritate you?

Col. McFARLAND. When he sent in word that he wanted to talk to me in the hall, his spirit seemed to be antagonistic. I suppose what really irritated me was the fact that he had not brought these matters up in the meeting where we all could discuss those things and where we had assembled to find out those things.

Mr. GARRETT. Nothing was said there at all about any audits that had been made?

Col. McFARLAND. No, sir.

Mr. GARRETT. He did not mention it?

Col. McFARLAND. No, sir.

Mr. GARRETT. Was he present all the time?

Col. McFARLAND. I think he was present all the time. He may have gotten up and left the room. I did not know many of the people who were concerned, so that he might have left and come back and I never would have noticed it, but I am sure that he was there later on when we brought up the discussion of the auditing of this particular administrative overhead item.

Mr. GARRETT. Well, that is the only one that you remember that he was present on?

Col. McFARLAND. That is the only time; yes sir.

Mr. GARRETT. Now, what was his contention about that question?

Col. McFARLAND. Col. Hughes made a statement that the overhead paid, or the overhead in question was a certain number of thousands of dollars and Blakey said that that figure was not correct, and as I recall it used the figure \$107,000. Col. Hughes said that he did not know what that figure was. Blakey either could not explain it or did not explain it; it is inconceivable to me that he did not know what it was, as he had gone all over the accounts, and so Mr. Corey, the representative of the company, was called in and was asked about this item and explained that it pertained in part to 1917 and in part to 1919, and that the figure which we were discussing pertained only to 1918, and that the figure which Col. Hughes had given was the proper one for 1919.

Mr. GARRETT. Well, did Mr. Sofberg, did he know of this letter at the time he dictated this telegram?

Col. McFARLAND. Yes; I had told him.

Mr. GARRETT. He obtained his information in regard to that letter from you then?

Col. McFARLAND. Yes, sir; I told him there was such a letter. I do not know whether he ever saw the letter or not.

Mr. GARRETT. Now, the answer apparently to that telegram, a copy of which is in the files, reads as follows:

September 29, 1919—

That is the same date; you received a reply on the same date?

Col. McFARLAND. I think the reply came in the next morning, or came to me the next morning.

Mr. GARRETT (reading):

SEPTEMBER 29, 1919.

ORDNANCE CLAIMS BOARD,
Washington, D. C.:

Replying your wire 28th, Mr. Blakey's report, September 15, states schedule 1, item A, approximately correct; schedule 1, item B, figures estimated considered by settlement committee susceptible of verification; schedule 2, no audit necessary; schedule 3, no audit necessary; schedule 6, negotiated amount; schedule 7, by agreement; schedules 8, 9, and 10 can be verified. Payments heretofore made have been audited and approved by Government accountants.

E. E. ARISON,
Colonel, Ordnance Department, United States Army,
Ordnance District Chief.

Did you understand that telegram to be a verification of the understanding that the committee had?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. You do not know how much of that letter Col. Hughes read in your presence?

Col. McFARLAND. No, sir.

Mr. GARRETT. Now, I would like to direct your attention to the letter of Mr. Blakey itself and ask you to follow it in connection with that telegram. Now, what does it say there about schedule 1, item A?

Col. McFARLAND (reading):

Schedule 1, item A, figures approximately correct.

Mr. GARRETT. Well, I will read now from the letter of Mr. Blakey under date of September 15, which has heretofore been placed in evidence [reading]:

Schedule 1, item A, Interest.

Standard Steel Car Co.'s investment in what is known as the Ordnance Department, as shown by their records as of December 31, 1917, not including land, was \$870,880.72. This included buildings, machinery, equipment, etc., as well as preliminary expenses in the construction of said plants. A statement was submitted January 14, 1918, showing investment, \$762,910; although the former figures were used in paying them 6 per cent depreciation. As of June 30, 1919, it was \$871,921.92. Depreciation has been paid at the rate of 6 per cent per year on this investment as part of cost. The figures as submitted in revised claim, namely, \$1,000,000, are approximately correct, as some machinery was transferred to freight-car department.

So that disposes of item 1 as mentioned in the telegram.

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Does it say something about the item B?

Col. McFARLAND. Yes, sir. [Reading:]

Schedule 1, item B, figures estimated considered by settlement committee susceptible of verification.

Mr. GARRETT. Now, I call your attention to the statement of Mr. Blakey in his letter, reading from the same letter [reading]:

I attach hereto two copies of a statement of their general administrative expenses by months from November 1, 1917, to June 30, 1919, which require no explanations. However, I might add that the amounts shown in second column as not being applicable to the cost of Government contracts are made up mostly of legal expenses, donations, and advertising their automobile business. The net administrative expenses have been prorated to their four plants based on productive labor performed at each plant, the Ordnance Department absorbing \$109,533.73.

That is that overhead you were talking about a while ago, I take it.

The figures of \$261,251.45, supposed to be loss of proportion of administrative expenses which the Ordnance Department should have absorbed, are estimated and can not be verified.

Col. McFARLAND. That is not what this telegram says.

Mr. GARRETT. What does the telegram say?

Col. McFARLAND (reading):

Schedule 1, item B, figures estimated considered by settlement committee of susceptible of verification.

Mr. GARRETT. Now, that means that Blakey's statement, that that could not be verified, was disregarded by the committee, does it, and the committee settled that on its own hook?

Col. McFARLAND. This telegram says that Mr. Blakey's report of September 15 states, and what I have read.

Mr. GARRETT. Now, see if there is not a period in there before this item B is read.

Col. McFARLAND. There is a comma.

Mr. GARRETT. There is a comma?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. The first part dealing with schedule 1, item A, states, "Figures approximately correct"; that is what Blakey says in his report.

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Now, there is a comma after the word "correct," and then continues "schedule 1, item B, figures estimated considered by settlement committee as susceptible of verification." That can not very well refer to the Blakey report, can it?

Col. McFARLAND. It can not.

Mr. GARRETT. I would construe that to mean that the author of that telegram thought that the settlement committee thought that it was susceptible of verification, notwithstanding what Blakey said, but that is a matter of construction, and you do not care to express an opinion?

Col. McFARLAND. Yes; I will express an opinion if you want me to.

Mr. GARRETT. I would be glad to have you.

Col. McFARLAND. As I read this I thought that was a quotation, in substance, from Mr. Blakey's report.

Mr. GRAHAM. That is what you asked for, wasn't it?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Now, what is the next item, please, Colonel?

Col. McFARLAND (reading):

Schedule 2, no audit necessary.

Mr. GARRETT. Now, in connection with that I read from Mr. Blakey's letter [reading]:

Two hundred (200) carriages were completed, and if \$4,000 profit per carriage is allowed, the sum of \$800,000 is correct. The cost of work performed in excess of the 200 carriages is something which will require some time to verify, and if the amount of profit thereon shown as \$656,394.05 is subject to reduction if found to be incorrect. An audit should be made.

That item of \$656,394.05 is the item we had up a moment ago?

Col. McFARLAND. Yes, sir.

Mr. GARRETT (reading):

However, if this amount has been agreed to or based upon estimates furnished by Standard Steel Car Co., and is not subject to change, no audit is necessary.

So I assume that the expression in the telegram there would mean that it had been agreed upon by the settlement committee?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. And, therefore, in the opinion of Col. Arison, no audit was necessary?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Now, the next item?

Col. McFARLAND (reading):

Schedule 3, no audit necessary.

Comma being interposed between the previous "necessary" and "schedule."

Mr. GARRETT. I read [reading]:

Schedule 3, item A, profit on jigs, tools, etc. The actual cost of dies, jigs, tools, fixtures, special machines, etc., paid for as increased facilities under instructions from Washington, can be verified and is approximately \$500,000. If the proposed profit of \$50,000 thereon is subject to reduction if cost thereof of \$500,000 is found to be incorrect, an audit should be made. However, if this amount has been agreed to, based upon estimates furnished by Standard Steel Car Co., and is not subject to change, no audit is necessary.

I suppose the same thing applies to that as would apply to the prior item?

Col. McFARLAND. Apparently.

Mr. GARRETT. The committee regarded it as settled?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Now, the next, please.

Col. McFARLAND. The next is [reading]:

Schedule 6, negotiated amount.

Mr. GARRETT [reading]:

Schedule 3, item B, compensation. The amount shown, namely, \$50,000 is not based on any cost which can be verified.

Is that item \$50,000?

Col. McFARLAND. Here is an item for unabsorbed costs or preparation of plant, \$60,000.

Mr. GARRETT. Does it show whether it is schedule 3, item B?

Col. McFARLAND. No, sir; it does not show that.

Mr. GARRETT. Now, under the head, "Compensation." This is \$50,000 here. Well [reading]:

Schedule 4, Standard Electrical Engineering Co., \$121,585.57, and other sums not allowed.

But, as a matter of fact, in the award, that was allowed?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. So it must have been when this paper reached Mr. Blakey from the district claims board that that was marked "not allowed."

Col. McFARLAND. The total amount given in here is \$121,585.57.

Mr. GARRETT. And that is to the Standard Electric Engineering Co.; it is put there under the head of "Commitments for materials or services."

Col. McFARLAND. For materials or services.

Mr. GARRETT. Now [reading]:

Schedule 5, loss in the manufacture of railroad equipment and expenses of moving passenger car department to freight car department, can be verified, but it appears that claim for \$484,325.28 to cover this item is based partly upon an estimate which can not be audited.

And then we come to schedule 6. Now, those were matters that were referred to Mr. Blakey, of which no mention is made in Col. Arison's response to your telegram.

Col. McFARLAND. Yes, sir.

Mr. GARRETT [reading]:

Schedule 6, cost of hotel, garage, roadway, brick wall, etc., the amount shown, namely, \$475,072.17, can be verified, if subject to change.

What is it the telegram says about that?

Col. McFARLAND [reading]:

Schedule 6 negotiated amount.

Mr. GARRETT. Now, the next?

Col. McFARLAND. The next is [reading]:

Schedule 7 by agreement.

Mr. GARRETT [reading]:

Schedule 7, item B, plant rental. The amount shown, namely, \$150,000, is by agreement and could not be audited.

Schedule 8, expenditures on United States buildings.

Is that there?

Col. McFARLAND. He says [reading]:

Schedules 8, 9, and 10 can be verified.

Mr. GARRETT. The statement of Mr. Blakey's letter here [reading]:

Schedule 8, expenditures on United States buildings. The amount shown, namely, \$65,760.32, can be verified if subject to change.

By the way, what does that "verified" mean there in that connection "can be verified if subject to change"?

Col. McFARLAND. I take it that it can be verified.

Mr. GARRETT. That is, figures given are correct?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. And it does not mean that that can be later offered to determine whether they are correct; "verify" is in the sense of determining whether they are correct?

Col. McFARLAND. That is the way I take it.

Mr. GARRETT [reading]:

Schedules 9 and 10. Interest. The amounts shown, namely, \$29,066.18, and \$41,002.54, can be verified if subject to change.

So it really appears there, Colonel, that you did not get in that telegram from Col. Arison a clear statement of what was contained in Mr. Blakey's letter, doesn't it?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Colonel, that letter being called to your attention there in the way it was, Mr. Blakey having spoken of that, why did you not then—that was before you had signed the award, I take it?

Col. McFARLAND. Yes, sir.

Mr. GARRETT. Why did you not then go a little bit further into the matter than you did go into it?

Col. McFARLAND. I felt that we were accepting upon our investigation the negotiated settlement which Col. Hughes had gone into and had worked on. This statement that the negotiation was as good as he could get it and that his feeling that this letter of Blakey's substantiated his position, that it was not necessary at that time to go further into the matter, as we had already in the committee discussed it in detail and satisfied ourselves in the presence of the various Government officials that the settlement was a fair one.

Mr. GARRETT. In other words, you really just took Col. Hughes's recommendation about the matter all the way through, didn't you?

Col. McFARLAND. His recommendation had great weight with me. I felt that I had seen enough to be satisfied that his negotiation was a suitable one, and having come to that conclusion that the case should be settled with expedition that it was not necessary or was not advisable to continue and to let the negotiation drag every time some man had a new idea about it. I think if Mr. Blakey had brought up any point in question at the meeting that we would have gone into the questions that he raised more carefully than we did, because we did not know what particular questions he had in mind, if he had any in mind. The evidence presented satisfied me.

Mr. GARRETT. Did he, subsequent to the meeting in the room at the hotel or subsequent to the making of this award on the following day, the signing of it, say anything about the salvage question to you?

Col. McFARLAND. No, sir.

Mr. GARRETT. Did he before the award was actually signed say anything about any bid on any of this material other than this junk material?

Col. McFARLAND. I have no recollection of it.

Mr. GARRETT. When he called you out of the room there he did not refer to that?

Col. McFARLAND. I think not. I have no recollection of it or anything of the kind. At that time he did make the statement that the company was making more than 10 per cent profit.

Mr. GARRETT. Well, you mean now, more than 10 per cent on what; what particular items did that refer to?

Col. McFARLAND. I think he meant as a whole, including the profit which they received by the terms of the contract on their completed carriages.

Mr. GARRETT. Well, I believe under that agreement, informal though it was, they were to be allowed \$4,000 on those carriages, no matter what the cost might be?

Col. McFARLAND. Yes; there can be no question about that item in my mind, and I told Blakey so at the time.

Mr. GRAHAM. I want to ask another question or two. Colonel, you relied upon what Col. Hughes told you about this as one Army officer would to another, didn't you?

Col. McFARLAND. Yes; what he said I took absolutely to be the truth without any question.

Mr. GRAHAM. And when he told you that he had spent a great deal of time on this and gone into it and examined that claim, and that the claim was correct and that the Government was getting a fair settlement, you took his word for it?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. You had been schoolmates in the Military Academy there?

Col. McFARLAND. Yes; I was not in the same class with him, but he was there while I was there.

Mr. GRAHAM. You had been acquainted ever since?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. Do you think that is the reason he asked to have you go with him?

Col. McFARLAND. I do not know that he did ask for me to go, Mr. Graham.

Mr. GRAHAM. The first you knew is when he came in with Col. Hof and told you about it?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. Col. Hughes had this letter of Mr. Blakey's in his hand when he went into the room, did he?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. And they were arguing in rather a heated manner about it?

Col. McFARLAND. He did not have the letter in his hand when I came into the room, but after I had been in the room a few moments he went out and got the letter and returned to the room.

Mr. GRAHAM. And had it in his hand?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. And what contents you got of the letter you got by the reading of it by Col. Hughes?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. Was Col. Hughes all excited?

Col. McFARLAND. No.

Mr. GRAHAM. He was angry, though, was he?

Col. McFARLAND. No; I don't think he was. He might be described as being rather irritable; he is inclined to rather fly up, but he was not disturbed at this time. He was mild.

Mr. GRAHAM. To what he ordinarily is?

Col. McFARLAND. Well, he was mild to what I have seen him on very trivial matters.

Mr. GRAHAM. Well, during the first day's session, I believe you testified you were in session about an hour; is that right?

Col. McFARLAND. Yes, sir; that is my recollection of it.

Mr. GRAHAM. Well, what opportunity had Mr. Blakey during that session to be heard about this matter, did anybody ask him?

Col. MCFARLAND. I think Mr. Blakey was not in Washington the first session that I referred to, and which I said lasted about an hour; that was here in Washington.

Mr. GRAHAM. That was before the claims board here?

Col. MCFARLAND. Yes, sir.

Mr. GRAHAM. Well, now at the first session you had in Hammond in the afternoon, I think it was.

Col. MCFARLAND. The first session at Hammond might be called the session of inspection when we walked around the plant and looked at things. I do not know whether Mr. Blakey was there at all at that time.

Mr. GRAHAM. Well, when was the first formal hearing you had there?

Col. MCFARLAND. In the afternoon, after lunch, extending from perhaps half past 1 until 5 or after, and that was the only session of that character that we had.

Mr. GRAHAM. Now, what opportunity did Mr. Blakey have during that session to tell you gentlemen what he thought about this?

Col. MCFARLAND. He had every opportunity in the world.

Mr. GRAHAM. Was he called on?

Col. MCFARLAND. I think not; nor was I called upon, and I did considerable talking.

Mr. GRAHAM. Well, you were a member of the board?

Col. MCFARLAND. That was not a board meeting.

Mr. GRAHAM. What was it?

Col. MCFARLAND. It was a meeting—it might be termed an informal meeting of the Government representatives who knew about and were interested in the claim of the Standard Steel Car Co., and it was called by Col. Reeves and presided over by Col. Reeves.

Mr. GRAHAM. Well, there was no legality or formality about that meeting, was there?

Col. MCFARLAND. I should say there was none.

Mr. GRAHAM. You have your rules and regulations and your procedure marked out by the rules that are laid down by the Government in these matters, isn't it?

Col. MCFARLAND. In general; yes, sir.

Mr. GRAHAM. The Secretary of War or the Chief of Staff or whoever gets up those rules—I assume it comes directly from the Secretary of War's office—has laid down forms to be followed in the settlement of these claims which you gentlemen are supposed to follow, are you not?

Col. MCFARLAND. Yes, sir.

Mr. GRAHAM. Now, that formality, as I understand it, is that first the district board passes on the matter and then the claim is sent to the Washington board, then the bureau board passes on it, and finally it receives the consideration of the War Department Claims Board?

Col. MCFARLAND. Yes, sir.

Mr. GRAHAM. And then after that is done the claim is allowed or disallowed. Now, had any steps been taken in the allowance of this claim any place along the line that conformed with those rules, except the first allowance by the Chicago district ordnance board?

That was done according to the rules, but has anything been done since that in accordance with the rules?

Col. McFARLAND. The customary rule of having the claim referred to the bureau board in Washington was apparently violated. However, a representative of the bureau board was dispatched to Chicago and acted for this board. I believe that the action of the member and representatives of the War Department claims board was in accordance with the forms, except that we acted in Chicago instead of in Washington.

Mr. GRAHAM. Why, is there any record in any bureau board in Washington or in the War Department Claims Board, an order that you gentlemen should go and act in this capacity? Do you know of any order of that kind?

Col. McFARLAND. No; I know of no such order.

Mr. GRAHAM. Then you had no function there except the function of an individual, did you? How could you have if you did not have any formal order from your own board, and if you were acting in violation of the rules that had been laid down by the War Department?

Col. McFARLAND. Well, I don't think that action was a direct violation of the rules, but it was not in accordance with the usual procedure.

Mr. GRAHAM. Well, do you know of any rules that permits—rule or any order of the War Department that permits that sort of thing? If you do, we would like to know about it.

Col. McFARLAND. No; I know of no rule that says that may be done; nor do I know of any rule that says it may not be done.

Mr. GRAHAM. Well, there has got to be some certain procedure in these matters, and the procedure is laid down by your superior officers that they lay down these forms and establish these boards, is it not, and you are supposed to follow the forms; isn't that true?

Col. McFARLAND. Well, in general. I do not know enough about the legality of that matter in the formation of these boards to pass upon that, which is rather technical.

Mr. GRAHAM. Well, don't you imagine that the claimants when they got this money, judging from the haste in which the machinery worked and the check was paid, that those claimants themselves thought it was an illegal performance; wouldn't you think that?

Col. McFARLAND. That thought never occurred to me. If I had any idea it bordered on the illegal, I would have done what I could to have stopped it.

Mr. GRAHAM. Of course, you have not gone into the legal phase of the question; when your superior officer, Col. Hof, came and told you to go you went?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. You did not stop to figure what was right or what was wrong, but you went?

Col. McFARLAND. Yes, sir.

Mr. GRAHAM. Now, did you observe when Mr. Garrett was examining you, I think it was, that he noted that this estimate of overhead that Mr. Blakey made extended over the summer of 1917 and the summer of 1919, inclusive, including all the time when work was proceeding under this contract?

Col. MCFARLAND. The figures which Mr. Garrett read was not the same as the figure here.

Mr. GRAHAM. But I am speaking of the item of overhead which you say Mr. Corey and Col. Hughes explained on the ground that the item in controversy referred to the item of 1917 and 1919, whereas Mr. Blakey's figures covered only 1918.

Col. MCFARLAND. I think it was just the reverse.

Mr. GRAHAM. Now, the statements which Mr. Blakey has introduced into the record and to which Mr. Garrett called your attention specifically covered all that time, and the statement is made by Mr. Blakey that that overhead has already been paid to this company. Did you know anything about that at the time?

Col. MCFARLAND. No, sir.

Mr. GRAHAM. You simply took Mr. Corey's statement and Col. Hughes's statement that it referred to the time they stated?

Col. MCFARLAND. Yes, sir; presuming that if it was not correct that Mr. Blakey, the accountant, would have stated the correct amount, which Mr. Corey said was correct; Mr. Corey and Col. Hughes.

Mr. GRAHAM. Mr. Blakey had already said that they were not entitled to this overhead.

Col. MCFARLAND. No; he did not state that they were not entitled to the overhead; he gave figures which were different from the ones that Col. Hughes gave.

Mr. GRAHAM. Did you see this letter file so that you had the possession of it; or did Col. Hughes keep it in his own possession?

Col. MCFARLAND. I never heard of it until Col. Hughes brought it into the room where I was.

Mr. GRAHAM. Where did he seem to get it?

Col. MCFARLAND. He left the room and went toward the main office.

Mr. GRAHAM. You do not know where he got it, or what he did with it afterwards?

Col. MCFARLAND. No, sir.

Mr. JEFFERIS. Do you know just when this settlement had been agreed to for \$3,000,000?

Col. MCFARLAND. No, sir.

Mr. JEFFERIS. There had not been any award entered by the Chicago claims board allowing \$3,000,000, had there, before you went out there?

Col. MCFARLAND. I understood that the Chicago board had approved that negotiated settlement; whether they had had all the papers written up or not, I don't know.

Mr. JEFFERIS. Now, do you know just who had approved it in the Chicago board?

Col. MCFARLAND. No, sir.

Mr. JEFFERIS. That had been some days before you went out there, wasn't it?

Col. MCFARLAND. Yes; I presumed that as soon as Col. Hughes could come to Washington after the company had agreed to that settlement that he came. In other words, that the settlement had been agreed to only a short time prior to his arrival here.

Mr. JEFFERIS. Now, as a matter of fact, hadn't that so-called settlement of \$3,000,000 been agreed to about September 8, 1919?

Col. McFARLAND. I don't think so. I never heard a date given as to the time of that agreement, but the impression I had was that it was very, very recent.

Mr. JEFFERIS. Well, now, this letter of Mr. Blakey's of date September 15, 1919, seems to have reference to a revised claim of \$3,000,000, so that \$3,000,000 must have been arrived at in some way—that is, a general understanding or something—before Mr. Blakey wrote that letter of September 15, wasn't it?

Col. McFARLAND. The only explanation of that, which is a mere presumption on my part, is that Col. Hughes had possibly decided that he could get \$3,000,000—that is what he would approve—and he got Mr. Blakey to give him a statement predicated upon the \$3,000,000 settlement, and that the company had not actually agreed to settlement until some subsequent time. I never heard that phase of it discussed and do not know anything about it.

Mr. JEFFERIS. Well, I notice in this letter of Mr. Blakey's, dated September 15, 1919, he starts out saying, "A typewritten memorandum consisting of three sheets, including schedules 1 to 10, inclusive, of original claim, showing revised claim of \$3,000,000 was handed to the writer on September 2, 1919, with instructions to 'audit items marked "V."'" I attach hereto two copies of the memorandum to which I refer and wish to submit a preliminary report which follows."

So that would indicate that whoever gave him this typewritten memorandum had at that time a revised claim to the amount of \$3,000,000 from the Standard Steel Car Co.

Col. McFARLAND. Well, that word "claim" may have been used loosely; it might mean a set-up; I do not attach any particular significance to that, although it may have some. As I say, it had not been called to my attention before.

Mr. JEFFERIS. Well, anyhow, this award that you made out there on September 26 really awarded this \$3,000,000?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. And it was on this \$3,000,000 proposition that Mr. Blakey had written his letter of September 15?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. So he was directing his observations and knowledge in regard to this claim as finally awarded?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. And this letter, as I understand it, of September 15, was not handed to you and Col. Reeves when you went out there?

Col. McFARLAND. No, sir.

Mr. JEFFERIS. And did not come to your knowledge at all until after you had agreed to the \$3,000,000; is that right?

Col. McFARLAND. That is correct; yes, sir.

Mr. JEFFERIS. And then it came to your knowledge only by observing Mr. Blakey and Col. Hughes and Col. Arison in a room talking?

Col. McFARLAND. Yes, sir.

Mr. JEFFERIS. The three of them were in there?

Col. McFARLAND. Yes, sir; I was in there, also.

Mr. JEFFERIS. You were asked in there later, weren't you?

Col. MCFARLAND. I was asked in there prior to the time Col. Hughes produced this letter; that is, I was in there prior to the time Col. Hughes walked in with the letter in his hands.

Mr. JEFFERIS. Well, when you went in there, Col. Arison was there, and Mr. Blakey?

Col. MCFARLAND. And Col. Hughes.

Mr. JEFFERIS. I thought you said he walked in with the letter?

Col. MCFARLAND. He was in there then and went out, and subsequently walked in with the letter in his hand.

Mr. JEFFERIS. When did he leave the room?

Col. MCFARLAND. He left to get the letter.

Mr. JEFFERIS. And he came back?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. What prompted him to get the letter?

Col. MCFARLAND. Because Mr. Blakey said that he wanted me to know that the items had not been audited, and Col. Hughes produced the letter to show that Mr. Blakey had written a letter which stated that the items had been in part audited, and in part estimated, and in part were subject to verification, with the view showing that Blakey, the accountant, had no particular disagreement in his letter—

Mr. JEFFERIS (interposing). He took that position, Hughes?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. He did not give the letter to you to read?

Col. MCFARLAND. No; he kept it in his hand. I did not care to read it at that time.

Mr. JEFFERIS. You were not interested in what was in the letter?

Col. MCFARLAND. Oh, yes; I was.

Mr. JEFFERIS. Very much?

Col. MCFARLAND. Intensely interested.

Mr. JEFFERIS. Did you ask to read it, or anything?

Col. MCFARLAND. No; because he was reading it.

Mr. JEFFERIS. Did he read it all?

Col. MCFARLAND. I doubt if he read it all; he read parts of it.

Mr. JEFFERIS. And then made observations as to what he claimed was in the other?

Col. MCFARLAND. Yes—oh, I don't know that he made observations as to what he claimed was in the other; but his idea in producing the letter was to show, or tell, Mr. Blakey that he had previously expressed a different opinion.

Mr. JEFFERIS. That was to satisfy Blakey, was it?

Col. MCFARLAND. No; he did not endeavor to quiet Blakey; he undertook to show Mr. Blakey that the position he took at that time was different from the position which he took at the time he wrote the letter.

Mr. JEFFERIS. What did Blakey say about it?

Col. MCFARLAND. He was rather noncommittal, and stated that he wanted me to know that the accounts had not been audited.

Mr. JEFFERIS. He was trying to warn you, was he, lest you might sign something that had not been really checked up?

Col. MCFARLAND. Well, I do not suppose that he knew I was going to sign. He said that he had asked me to come out because I had shown an interest in the audit and because I had asked some question about it, and had been rather insistent upon some items in con-

nection with it during the discussion at the Hammond plant during the preceding afternoon.

Mr. JEFFERIS. Blakey at that time did not know that you three were going to sign up this award then?

Col. MCFARLAND. I think not.

Mr. JEFFERIS. And he was trying to give you some information that would be of some assistance, I take it, if you should look into the matter, I take it?

Col. MCFARLAND. Yes; I think he had that in mind.

Mr. JEFFERIS. And then Col. Hughes, as you understand it, there in this room was going to show Blakey, as you understood, that his personal contention to you was not well founded?

Col. MCFARLAND. Was not in accordance with his previous position.

Mr. JEFFERIS. So you accepted the Hughes end of it?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Yes; and how long was Blakey in there with you?

Col. MCFARLAND. Oh, at that time I suppose I talked to him 10 or 15 minutes.

Mr. JEFFERIS. What position did Arison take?

Col. MCFARLAND. I do not recall that Col. Arison talked very much about it, other than to be disposed to feel that Hughes was right in the matter.

Mr. JEFFERIS. He seemed to side with you?

Col. MCFARLAND. Yes; I had presumed that he had voted as a member of the district board in favor of a negotiated settlement of \$3,000,000.

Mr. JEFFERIS. Yet as a matter of fact there had been no legal meeting voting anybody anything.

Col. MCFARLAND. I do not know whether the Chicago board had a legal meeting or not.

Mr. JEFFERIS. You have never seen anything, had you?

Col. MCFARLAND. No; all I had was the word of the chief of the Chicago office and the signature of the award.

Mr. JEFFERIS. That is, Arison?

Col. MCFARLAND. Yes; as approved.

Mr. JEFFERIS. You say Col. Graves went out with you?

Col. MCFARLAND. No; Mr. D. D. Graves, civilian, Government employee. He is a member of the Washington Ordnance Department claims board—a member or alternate member.

Mr. JEFFERIS. Where is he from?

Col. MCFARLAND. I think that he lived in Bridgeport, Conn., prior to his entry into the Government service.

Mr. JEFFERIS. You say he had been out there previous to this?

Col. MCFARLAND. He had been out there previous to trip on which he accompanied me.

Mr. JEFFERIS. Was he appointed to go out there with you? How did he happen to go out?

Col. MCFARLAND. He was directed by Col. Hof to go with me.

Mr. JEFFERIS. Why didn't he sign it if he knew about this matter?

Col. MCFARLAND. I was the senior member present.

Mr. JEFFERIS. And the senior member always signs, whether they know anything about it or not; is that it?

Col. MCFARLAND. Some of them do. It is a matter of delegation; the delegating power as men become higher and higher up in position

their duties become more general than detail in the Army as well as other places, of course.

Mr. JEFFERIS. Well, as it appears to me, you had very little knowledge, only from what you could gather from hearing it talked over for a little while, and Graves must have had considerable knowledge if he had been out there.

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. And you ought to have had considerable knowledge?

Col. MCFARLAND. Yes, sir.

Mr. JEFFERIS. Why does Arison sign it, then?

Col. MCFARLAND. Because Col. Arison was chairman of the district claims board that was presumably approving this settlement.

Mr. JEFFERIS. Did you ask him; now, there, as a member of the Ordnance Department claims board from Washington, where their award was? Did you ask to see that?

Col. MCFARLAND. I saw it; this paper here [indicating].

Mr. JEFFERIS. That seems to be signed the same that the other was signed.

Col. MCFARLAND. The one which I saw was not, I think, an exact copy of this [indicating]. I think that the one I saw was modified, and that this is the one which they were going to submit.

Mr. JEFFERIS. You mean that it—

Col. MCFARLAND (interposing). Well, the one that I saw on the morning of the 26th was not the same as this in certain details.

Mr. GRAHAM. You mean by "this" the one that is referred to and is in the record of the committee?

Col. MCFARLAND. Yes, sir; headed "Chicago District Claims Board, September 26, 1919."

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. One other question I overlooked. The telegram sent from the Ordnance Board here, to which reference has been made, was that they should send some information by special delivery.

Col. MCFARLAND (reading). "Send us by special delivery statement of Mr. Blakey, which you have at hand, showing that such auditing has been made."

Mr. GARRETT. Was that instruction complied with, or do you remember?

Col. MCFARLAND. I think that the letter has never been received in the Ordnance Claims Board; I never have seen it.

Mr. GARRETT. What was done with the reply to that telegram?

Col. MCFARLAND. As soon as the reply was handed to me I sent it to Mr. Sofberg of the Technical Advisory Committee asking whether or not it met with his approval, or complied with his request, or something to that effect. He returned the telegram to me with the notation on it, "Seems O. K." and signed by his initials.

Mr. GARRETT. And then was the Finance Division to go ahead with the check?

Col. MCFARLAND. Upon receipt of Mr. Sofberg's O. K. I signed the certificate—I can not describe it because I do not know the form number, but it was a certificate which was sufficient authority for the Finance Division to pay the amount due the company on this claim.

Mr. GARRETT. You were satisfied with the telegram without waiting for a letter to be sent by special delivery?

Col. REEVES. No, sir; Col. Dalton, who is also a member of the War Department claims board, and special representative for ordnance, and has an office next to me, he had been sitting with the Ordnance Bureau board that day, and when he sits on the board a day and comes back we discuss what has taken place; we both have cases that we watch. He mentioned the fact that Col. Hughes had been there from the Chicago board and presented what I understood had been an agreement with the Standard Steel Car Co.; that he had presented it to the ordnance district board. I did not go any further with it, because I was not personally concerned in it. I thought if the case came up again Col. Dalton would handle it, as neither encroaches on the cases of the other. If he starts a case he finishes it, and if I start a case I finish it. However, this came to no decision. The next day—I am not sure whether Mr. Dorr sent for me or whether I went to his office—I generally go to his office four or five times a day, and sometimes I go and sometimes he sends for me. At any rate, I was in his office, and Col. Hughes was in there, and they apparently were discussing this case. Mr. Dorr is assistant director of munitions. Mr. Dorr knew that I was contemplating a trip to Chicago by way of the district board, and to Cincinnati about the latter part of the week, which would throw me into Chicago about Saturday. He wanted to know if it would be possible for me to change my itinerary to go to Chicago first and then to Cincinnati and Pittsburgh, and I told him I had no prescribed program and it would make no difference. He then told me to go to Chicago and meet with the board there and if satisfied with the agreement as they had found it with the Standard Steel Car Co. to close the case up.

Mr. GRAHAM. That is Mr. Dorr?

Col. REEVES. Yes, sir; Mr. Dorr, the assistant director of munitions. Mr. Crowell, I am quite sure, had not returned from Europe, and Mr. Dorr was the acting director of munitions at that time.

Mr. GRAHAM. Following that, you immediately—

Col. REEVES (interposing). Yes; I immediately inquired about trains. I have a captain in my office who does that for me, and I found that there was a train at 3 o'clock and one at 6 o'clock, a better train but an extra-fare train—an extra fare of \$6—so I took the earlier train.

Mr. GRAHAM. Where did you meet these gentlemen?

Col. REEVES. At Englewood, outside of Chicago, the next morning. My train arrived about 30 minutes ahead of this train. Mr. Sofberg was with me on the train.

Mr. GRAHAM. Did Mr. Sofberg go at your request?

Col. REEVES. Yes, sir; and I also asked Mr. Hodges, who was then located in St. Louis, and who was a member of the technical advisory committee.

Mr. GRAHAM. Why did you request the presence of Mr. Sofberg and Mr. Hodges?

Col. REEVES. That requires rather a lengthy answer. Directly after I came from France and became a member of the board we organized this technical advisory committee, because we were dealing with sums of money, and vast sums were involved, and I felt that we should consult business men. Personally I told Mr. Dorr that I would feel very comfortable if we had men of that kind to help us to arrive at decisions. I was an Army officer drawing less than \$6,000 a year

salary, and frequently had to match wits with men who were drawing \$50,000 a year, and I wanted somebody who would help us with these matters, and a sufficient clerical force. So I asked Mr. Sofberg to go with me, as I had often done. I take final action on nothing without advising with these men, and they advised on this. I have letters from both Mr. Sofberg and Mr. Hodges—that is probably getting ahead of the story—on this particular settlement.

Mr. GRAHAM. Now, when you got to Chicago did you meet with these other gentlemen soon after arriving there, Colonel?

Col. REEVES. Yes. We arrived at Englewood, Mr. Sofberg and I. I did not know what the arrangements were. We met an ordnance major on the train who was stationed at the board, and he said that if no one met us there that he would send us out in his machine. But as the train came in Mr. Corey was there and Mr. Jenks, I think. There were a number of cars there, and I did not know who they belonged to, but I think there were some ordnance cars, some company cars, so our party assembled and went to the plant of the Standard Steel Car Co., at Hammond, Ind.

Mr. GRAHAM. When did you arrive there?

Col. REEVES. My train arrived at about 9 o'clock.

Mr. GRAHAM. You had all had breakfast?

Col. REEVES. Yes; I had had breakfast on the train.

Mr. GRAHAM. And you got in the cars and went to Hammond?

Col. REEVES. Yes, sir.

Mr. GRAHAM. About what time did you arrive there?

Col. REEVES. About half past 10 or 11.

Mr. GRAHAM. Did you go immediately to an inspection of the plant?

Col. REEVES. Yes; I do not suppose we were there five minutes until we went to work. I asked Col. Hughes immediately on my arrival if he had the set-up of the claim, and he handed me the papers, which, I understood and understand yet, was the set-up of the claim which the Chicago board would accept. I had those papers with me during the entire tour of inspection.

Mr. GRAHAM. How long did it take you to go over the plant?

Col. REEVES. I would have to simply make a guess. We consumed the entire day there at Hammond. As I recall it—my memory is a little hazy on that—that we had our luncheon before we had the afternoon meeting. That is, I think we consumed practically the entire morning in viewing the plant; I am not positive about that, however, but I took all the time I wanted. If I may go into that a little further in detail there—

Mr. GRAHAM (interposing). Sure; that is what I want you to do.

Col. REEVES. Our party rather broke up, and I rather encouraged it. I felt everybody should view it from his own angle. Mr. Sofberg was with me all the time. Mr. Jenks, of the Standard Steel Car Co., was with me all the time. I think Col. McFarland and others had some of the other groups. I paid little attention to them. And we viewed all the buildings constructed for this contract and the material that remained; the Ordnance Department had removed a part of it—what material that we referred to in this claim as salvage.

I think I saw every article of it, and frequently made reference to it. I set-up that Col. Hughes had handed me in order to visualize in

my own mind the magnitude of the problem and in getting an idea of the amount involved.

Mr. GRAHAM. Well, when did you go into session to pass on the thing?

Col. REEVES. As I said, it is not clear to me whether we went into session before we had lunch or not. We went to the hotel in question and had lunch; I do not believe we had a session until that time; anyhow, we were there viewing the plant, but, anyhow, early in the afternoon we went into session and remained in session until 5 or after 5 o'clock. I paid little attention to the time; I was concerned in the claim.

Mr. GRAHAM. What was the course of the procedure, now, Colonel, as you observed it in the afternoon in taking these matters up? Who opened the argument and what did Col. Hughes do and the rest of you?

Col. REEVES. If I may go back to the meeting with Col. Hughes at Mr. Dorr's office, I would state that the understanding was that we should meet Col. Hughes in his office in Chicago and that he would have there the members of his staff or corps who had knowledge of this settlement. I do not remember all the men, but Mr. Blakey and Mr. Vail and Mr. Church and the property officer and Maj Duryea and the financial officer; quite a group. Most of those, I do not believe, accompanied us on this visit. Mr. Vail did, however. I frequently interrogated him. After this, however, all these gentlemen were present. We came informally into this room. We first went into the office of the company, and one of the officials of the company stated that they had a lounging room, probably more suited for this purpose. It was a room more like this, or more like the lobby of a hotel; so we all went in there informally, except the members of the Standard Steel Car Co. They withdrew. They showed us where the room was and then withdrew. As I remember, I told Mr. Cory—I told him we did not want them present.

We sat down a moment or two, and the question arose as to who should preside; I looked around and saw I was the senior officer in rank, so I stated I would call the meeting to order, and if the gentlemen wanted to select a different presiding officer it was immaterial to me. Several voices spoke up and said, "Nobody will question your right to preside." So I presided and outlined the purpose of the meeting, as to why we were there; and then after I sat down I asked Col. Hughes if what I had said met the situation, and he answered that it did. Then we began the discussion of the claim; I do not recall whether or not we first took up the question of salvage. It is immaterial. Anyhow, we discussed every item involved in the settlement. I recall now very plainly what was in my mind at the time; that is, to afford every person present the fullest opportunity to participate in this discussion. It was not in any sense considered by me as a meeting of any board at all. It was a meeting of the Government officials that were concerned in this thing for the purpose of seeing right there on the ground if they agreed to the items as set up.

Mr. GRAHAM. So the discussion continued for the afternoon?

Col. REEVES. It continued practically during the afternoon, in a more or less informal way, but the items came up as set up in the claim, and discussion was had. I took a vote of both yes and no and

every one present had a right to that vote, as to whether they agreed to the form of settlement. We did not arrive at a settlement there——

Mr. GRAHAM (interposing). You do not mean every one present there, do you; you mean the members of the board present?

Col. REEVES. No, sir; the meeting was open to everyone.

Mr. GRAHAM. You mean that every Government official or employee was permitted to vote?

Col. REEVES. Every Government official had a vote, and from the sound of the voices I think practically everyone voted on the passing of this. There was no mention made that it was a board meeting; nobody said it should be.

Mr. GRAHAM. What did you intend it to be?

Col. REEVES. I intended it to be a meeting of the Government officials either the members of the boards, the district staff that was interested in this claim.

Mr. GRAHAM. That is all you intended it should be?

Col. REEVES. That is all I intended it should be.

Mr. GRAHAM. Then why did you gentlemen sign up this formal award?

Col. REEVES. We met the next day at Chicago.

Mr. GRAHAM. You thought the meeting the next day was formal?

Col. REEVES. It was formal, as it was calculated to have it formal; we did not sit down and call it to order, but the members of the board were there.

Mr. GRAHAM. So you differentiate between the meeting at Hammond and the one at Chicago?

Col. REEVES. Yes, sir; I do now and did then. This meeting at Hammond was to visualize this thing and afford everyone an opportunity of saying what was in his mind. And it was fully understood that we would meet in Chicago the next day and the claim would then be set up.

Mr. GRAHAM. Did you at that time have any information about any offers for salvage values on this material except that of the Standard Steel Car Co.?

Col. REEVES. I had none; no, sir.

Mr. GRAHAM. Did you ever have, Colonel?

Col. REEVES. No, sir; I never have had.

Mr. GRAHAM. Did you know up until the time of this hearing here, and your being called as a witness, that an offer had been made by Briggs & Purvis, of Chicago, in writing, for the salvage materials for 15 per cent of their value?

Col. REEVES. No, sir; if I have, it has entirely escaped my recollection. I haven't any recollection of it.

Mr. GRAHAM. If any letter of that kind was ever sent to the board, it was never indicated to you?

Col. REEVES. No, sir.

Mr. GRAHAM. By the way, was Mr. Blakey at that meeting at Hammond?

Col. REEVES. I don't know that I would know him if I saw him; he was one of the cost accountants, and I understood he was at the meeting.

Mr. GRAHAM. Who did most of the discussion out there?

Col. REEVES. I suppose Col. Hughes answered most of the questions brought up. He and Mr. Vail.

Mr. GRAHAM. No representative of the company was there?

Col. REEVES. No; Mr. Cory was called in; and Mr. Jenks and Mr. Cory were both called in after we had adjourned.

Mr. GRAHAM. At Hammond?

Col. REEVES. Yes; and told that we would meet in Chicago the following morning.

Mr. GRAHAM. Do you know what they were called in for?

Col. REEVES. Yes; they were called in after we had reached an agreement and told that we would meet at Chicago the following morning.

Mr. GRAHAM. Was Mr. Russell there?

Col. REEVES. No, sir; Mr. Russell was not.

Mr. GRAHAM. Was Mr. Russell there the next day?

Col. REEVES. No, sir; Mr. Russell was not at that time chairman of the district board. Col. Arison was at that time district chief.

Mr. GRAHAM. Col. Arison was there, was he?

Col. REEVES. He was at Chicago; yes, sir.

Mr. JEFFERIS. But not at Hammond?

Col. REEVES. I believe not at Hammond; I do not remember.

Mr. GRAHAM. Did you have any conference with anybody at that time after the meeting?

Col. REEVES. No, sir.

Mr. GRAHAM. Where were you gentlemen stopping?

Col. REEVES. I stopped with my mother; my mother lives in Chicago, and I stopped with her.

Mr. GRAHAM. Where did you gentlemen meet?

Col. REEVES. I had arranged to meet them at the Chicago office at 9.30 in the morning; I was a little late, I possibly was not there until about 9.45.

Mr. GRAHAM. At the Chicago office?

Col. REEVES. Yes, sir; at the Chicago office, which is, I believe, No. 165 Superior Street.

Mr. GRAHAM. How long were you in session there?

Col. REEVES. We were in session all morning. We drew up the papers there.

Mr. GRAHAM. Were you presiding?

Col. REEVES. I was not presiding; we were not meeting in that shape. I was there as the Ordnance Department representative.

Mr. GRAHAM. You were getting it in form?

Col. REEVES. Yes, sir.

Mr. GRAHAM. How many were there?

Col. REEVES. Col. McFarland, Col. Hughes, Col. Arison, and Mr. Graves, who was one of the board here, and acting recorder of that board, and I think the entire Chicago board was there; I do not know who constitute that board.

Mr. GRAHAM. How about the representatives of the Standard Steel Car Co.?

Col. REEVES. Mr. Corey and Mr. Jenks were there. They were asked to be there to sign up.

Mr. GRAHAM. Now, that was informal?

Col. REEVES. Yes, sir; entirely informal.

Mr. GRAHAM. Well, did you have any formal session during the day?

Col. REEVES. No, sir; not any more than we were all there and were consulted. I think there is a lot of misunderstanding about

what informal sessions are. I go about a good deal to the district boards, and they have meetings, and it may be a formal meeting or an informal discussion.

Mr. GRAHAM. They sit around a table and discuss the matter and make an award?

Col. REEVES. Yes, sir.

Mr. GRAHAM. That is the way you did there?

Col. REEVES. Yes, sir; except in the district office there was no table there; there were desks and chairs, and we were in consultation more or less all day until the papers were ready for signature.

Mr. GRAHAM. Did you see Mr. Blakey there that day?

Col. REEVES. I would not know Mr. Blakey if I saw him; he no doubt was there, but I do not know him.

Mr. GRAHAM. You did not hear this conversation between Col. Hughes, Col. Arison, and Mr. Blakey?

Col. REEVES. I knew nothing about it until I saw Mr. Sofberg in the office of the technical advisory committee; I knew nothing about it.

Mr. GRAHAM. What did you understand, Colonel, about whether this claim had been audited?

Col. REEVES. I raised the question myself whether the Government items had been audited, and was told they had been.

Mr. GRAHAM. Who told you so?

Col. REEVES. I presume Col. Hughes. You see, we make a distinction between the Government expenses and the items set up in the claim.

Mr. GRAHAM. What do you mean by Government items?

Col. REEVES. The items they had actually paid for. For instance—and I use the figures only as an illustration—\$150,000 had been paid for tools; if that item had been paid for, it had been vouchered and paid out. Whenever the Government had put up a dollar it had been accounted for. My understanding was that it had been done. Now, as to the items that the company set up, I understood then and understand now that this is a negotiated claim, and some of these may have been audited and some estimated.

Mr. GRAHAM. Well, was any inquiry made at that meeting of Col. Hughes whether they had audited these items?

Col. REEVES. Yes; we discussed every item, as I said in the early part of my testimony, item by item and asked whether they had been audited.

Mr. GRAHAM. What did Col. Hughes say about it?

Col. REEVES. Speaking from memory, he said some were audited and some estimated items.

Mr. GRAHAM. You can not recall those specifically?

Col. REEVES. I do not believe I could; no, sir.

Mr. GRAHAM. Did you have called to your attention as a member of that board a letter by Mr. Blakey, in which he took up these items seriatim and discussed them?

Col. REEVES. No, sir.

Mr. GRAHAM. If anything like that happened, you never saw it?

Col. REEVES. No, sir.

Mr. GRAHAM. Did Col. Hughes call your attention to anything from anyone except the claim itself and the items related to it?

Col. REEVES. No, sir.

Mr. GRAHAM. You did not know anything about Mr. Blakey calling Col. McFarland out and talking to him?

Col. REEVES. No, sir; I had to go to Kokomo, Ind., to the Haynes Motor Co., and from there to Cincinnati, and this occurred after I left; and then I came on to Washington.

Mr. GRAHAM. What time in the day did you leave?

Col. REEVES. About 3 o'clock.

Mr. GRAHAM. Did you sign this award before you left?

Col. REEVES. I signed it after reading it very carefully. I remember quite distinctly that I signed it before it was all assembled. I rarely sign anything until it is assembled and securely fastened and sealed, and I particularly called Col. McFarland's attention to this matter and asked him to see that everything was in good shape or to withdraw the papers.

Mr. GRAHAM. Did you understand, Colonel, in acting there you were acting more in the way of a board of review; that is, that the settlement had been made by the Chicago district board, and unless you saw something wrong with it you should approve it?

Col. REEVES. That was my understanding; yes. It is not an unusual thing for a member of the district board to appear before the bureau board in Washington and say that he can arrive at a settlement, and ask if it would suit them. We had that in a case in Boston, and in the cartridge company case I had that same thing. So the fact that Col. Hughes came here and presented this case would mean that they had arrived at that settlement and wanted to know whether it would suit the board. That is my own opinion of the matter.

Mr. GRAHAM. Did you ever know of a case, however, where a member of the War Department claims board and of the bureau board went out and passed on a claim?

Col. REEVES. No, sir; not in this way.

Mr. GRAHAM. Has it been done since.

Col. REEVES. No, sir; I have gone out, and I think Col. Dalton has gone out. Just the other day I went up to Boston and we definitely settled 15 points at issue; whether that will settle it or not, I do not know; I may have to go back later on.

Mr. GRAHAM. Did you know Col. Hughes before you went into this work at Washington?

Col. REEVES. I had met Col. Hughes at one time when I was in the Inspector General's office and conducted some special investigations for the Assistant Secretary of War. I had met him at that time and had not met him since until I was in Chicago a couple of weeks prior to this. The particular thing that concerned me in settling the claim was to stop the enormous expense to the Government. Col. Hughes had told me there in Chicago, and I am quite sure brought it up in Mr. Dorr's office, that this claim was costing the Government \$52,000 a month to carry, \$25,000 of which was a rental charge. Not a wheel was turning there in that plant, and it was a \$15,000,000 plant tied up. I suppose due to the fact that the claim was not settled. So anything we could do after being assured that it was a proper settlement would stop that. And that ceased immediately; that was \$2,000 a day, \$27,000 of which was personnel and carrying charge. That is my understanding as one of the reasons why they were anxious to have it settled hurriedly. While possibly

it has appeared as rather an unusual thing, you have got to visualize it from our standpoint, to push these claims and settle them up. If you go out into the field and visualize these things and see the stuff that is outside and that has no protection, and also the personnel that is necessary—I should say that we had probably 70,000 people now engaged directly in caring for ordnance materials in the settlement of these claims. So what we are trying to do is to look at it in a businesslike, sensible way, and make a settlement and get it off the books and get it out of the way. That is what governs me in my actions.

Mr. GRAHAM. Why was this plant tied up in this way?

Col. REEVES. I could not tell you, except for the machinery.

Mr. GRAHAM. This was Government machinery?

Col. REEVES. No, sir; part of it was used in the manufacture of coaches. I think their freight department was used to——

Mr. GRAHAM (interposing). Why wasn't it possible to take an inventory of the materials and let them go on with manufacturing, pending a settlement in this plant?

Col. REEVES. I think they were then in the act of making inventories.

Mr. GRAHAM. Here is what I can not understand: The argument has been made a great many times to the committee that it was necessary to do this; that it was tied up. Why was it tied up? Why can't an inventory be taken of the property in hand and let the manufacturer go on with his business?

Col. REEVES. There might be several reasons for that. The manufacturer might insist that the claim be settled.

Mr. GRAHAM. In that case, if the manufacturer will not do that, he should not charge up from \$25,000 to \$50,000 rent each month.

Col. REEVES. These people were manufacturing a 240-millimeter Hotchkiss carriage; I believe the only people in the United States that were making that carriage.

Mr. GRAHAM. When did they finish work on them?

Col. REEVES. The contract, as I recall——

Mr. GRAHAM (interposing). I know what the contract is, Colonel; but when did they complete the work?

Col. REEVES. It may have been as late as the 1st of March; they completed 200 carriages.

Mr. GRAHAM. They completed 200 carriages?

Col. REEVES. Yes, sir.

Mr. GRAHAM. What I am getting at is, if they did not continue in the making of these carriages after the act of March 2 was passed.

Col. REEVES. If they did, it would be vouchered on this claim. As I recall it, they were to have \$23,000 apiece for these carriages and were to have a profit of \$4,000 apiece, which would make \$800,000 profits.

Mr. GRAHAM. This claim that you made that it was costing a great deal to have this claim unsettled was made by the Standard Steel Car Co.?

Col. REEVES. No; that came to my attention by Col. Hughes.

Mr. GRAHAM. Col. Hughes raised that point?

Col. REEVES. Col. Hughes raised that point.

Mr. GRAHAM. And he insisted on account of that matter it ought to be settled quickly?

Col. REEVES. No, sir; I would not put it that way. That was brought up that it was an expensive plant to carry and, naturally, would be an inducement to settle it quickly.

Mr. GRAHAM. When did you find out afterwards, Colonel, that there was a question about the auditing of these accounts out there?

Col. REEVES. Mr. Sofberg first brought that to my attention, and it was possibly on the Monday following my visit. He came up to me and said that Mr. Blakey—and that is the first time his name had been brought to my attention—had spoken to him in Chicago and had raised the question that this amount had not been audited. I talked it over with him for some time and said, "I am very sorry that that question did not come up earlier," and I certainly would not have signed the contract; I understood everybody was unanimous in the settlement of this claim. I said, "However, you go to see Col. McFarland and then you send a telegram to Chicago for a verification." That telegram was prepared and sent. It is in the record here. I do not recall that I ever saw the telegram or the answer, but I saw Mr. Sofberg here and he said the answer had been received and that it was satisfactory to him.

Mr. GRAHAM. Do you want to examine him, Mr. Jefferis?

Mr. JEFFERIS. Yes.

As I understand, at this informal meeting at Hammond you did not agree on anything?

Col. REEVES. Yes; we agreed to these items as we had reset them up; there were several changes made at the time.

Mr. JEFFERIS. Was there any record made of the meeting at Hammond?

Col. REEVES. Mr. Graves, who was recorder of the board, was appointed recorder by me there. I have never seen his minutes.

Mr. JEFFERIS. Did he take any shorthand report of it, or anything?

Col. REEVES. I don't think he is a shorthand man; no, sir.

Mr. JEFFERIS. Did you inform, or did anybody inform, Jenks and Cory that you had agreed to accept this \$3,000,000 proposition?

Col. REEVES. I am trying to think whether we did. I think possibly they were, but my recollection is that some member of the Chicago board informed them. However, it may have been myself. We called them in and told them we would meet the following morning in Chicago.

Mr. JEFFERIS. Now, the next morning in Chicago Col. Arison was there, was he?

Col. REEVES. Yes, sir; I don't know whether he was in the beginning of the morning or not. Yes; I think they were all there when I arrived.

Mr. JEFFERIS. Was Mr. Sofberg there?

Col. REEVES. Yes, sir.

Mr. JEFFERIS. And Mr. Hodges was there?

Col. REEVES. Yes, sir; Mr. Hodges was there.

Mr. JEFFERIS. Did they take any part in it in Chicago?

Col. REEVES. They were consulted as different matters came up.

Mr. JEFFERIS. In what respect?

Col. REEVES. I do not know as I recall distinct items.

Mr. JEFFERIS. All you did in Chicago was to make the award?

Col. REEVES. Yes; and talked the matter over. I made several changes in the first draft of the award myself.

Mr. JEFFERIS. But not in the figures of it; just in the wording of it?

Col. REEVES. Yes; as to the wording, and the particular thing that I remember I objected to was the language as to the calling for requisitions. You see, Watertown had taken over all the machinery necessary to make the 240-millimeter carriage, and they had requisitioned for certain spare parts, and we wanted all those requisitions in to be honored and also took up with Col. Hughes this matter, and told him to tell them to get in their requisitions if they wanted anything before October 1; that the company agreed to honor all requisitions up to October 1. After October 1 anything the Government might want they could have at salvage value, which, in the case of scraps, might be \$16 or \$17 a ton. That language in the settlement was changed so there would be no question about it.

Mr. JEFFERIS. Then, as I understand it, they did not succeed in getting this award fastened together as a completed document when you signed it?

Col. REEVES. Yes; the award was completed, but the contract was all in pages; were not permanently fastened. It is a matter——

Mr. JEFFERIS (interposing). And you signed it before Col. McFarland and Col. Arison signed it?

Col. REEVES. No, sir; I think Col. Arison signed the first copy. They make it in eight copies, and the order in which we signed it nobody can tell.

Mr. JEFFERIS. In other words, you signed a separate sheet, each of them?

Col. REEVES. Yes; the natural order would be Col. Arison, Col. McFarland, and myself, but the subsequent sheets were simply passed around.

Mr. JEFFERIS. And then the other sheets were to be attached to this sheet that you each signed?

Col. REEVES. No, sir; they are made, as I remember, in eight different copies and each one of us signed eight different sets. Those sets are distributed around, the finance officer, the comptroller gets one, and the property office gets one, and I am quite sure one goes to the Auditor for the War Department. I do not know just what the distribution is. There are seven or eight made up. The district board gets one, and the Ordnance Office here in Washington.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. Colonel, do you remember enough about those items or the impressions that you obtained in regard to those items when they were taken up to give the committee any information about them if they are specifically called to your attention?

Col. REEVES. About some of them, I think, I could; yes, sir.

Mr. GARRETT. Take the first item, "Carrying charge during period of nonproduction, \$99,000."

Col. REEVES. That is during the period of nonproduction?

Mr. GARRETT. Yes; now, Mr. Blakey has testified before the committee, and I will undertake to state the substance of it without quoting his exact words that this item is not justified; that it appeared first as interest on their investment; and he continues that in his letter of September 15 he explained that interest on the investment is not a proper charge, and adds therefore, in setting it up in this award that they have eliminated the word "interest" and set it

up as a carrying charge; that there was no carrying charge; that we had possession 100 per cent, and therefore were no expenses. What have you to say to that?

Col. REEVES. Probably my answer to that will be more or less general, as I do not recall the discussion that took place on that item. I remember in a general way the discussion came up on the plans for manufacturing this carriage; I do not know whether you have gone into that or not. This contractor was promised those plans at an early date and as a matter of fact it was months before he got his full set of plans, and he found some of those plans approved by the Ordnance engineers did not come actually into his plant for 60 days. They were repeatedly delayed. And then they had to be translated; they had to be translated from American machinery into French machinery. This is the only plant that made these in this country, and it was a development of the machinery. That is the only thing I can say on that, if I make myself clear. This involved a number of months; the correspondence will show it. You will find several hundred exhibits showing delay after delay, and that every effort was being made to get plans, and they could not get them. So I would say in a general way this was some expenses that this company had incurred during this period of delay.

Mr. GARRETT. And then the Government took the plant over; he makes the assertion that the Government took possession of the plant 100 per cent and that we were paying all the expenses all the time.

Col. REEVES. I do not understand his assertions. I do not believe that it is quite true in that particular sense; that the Government had actual possession and management of the plant, if that is what he means. It is true that the Government's agents were in that plant, the same as in any other plant, the production agents and the accountants, and all that sort of thing. That was during the war, perhaps 99 or 100 per cent of everybody's plant. That is not quite clear to me.

Mr. GARRETT. I do not know that it is clear to me either.

Col. REEVES. Well, it is not clear to me, sir.

Mr. GARRETT. Now, the second item which Mr. Blakley criticises is item B, "unabsorbed administrative expense, \$261,251.45"; what do you remember about that?

Col. REEVES. Well, I remember, sir, that we discussed them with considerable detail during this meeting at the Hammond plant. My recollection is that this was the prorated part of their entire administrative expense of all their plants and that this was the part prorated to the Hammond plant; that is my recollection of it.

Mr. GARRETT. Now, he states in substance that he went to Butler and audited their administrative expenses, covering the Butler office and the Pittsburgh office, and that the total amount was \$670,869.16, and that this was prorated among the different plants according to the productive labor, stating that this is the method used by all accountants and agreed to by them.

Col. REEVES. Yes, sir.

Mr. GARRETT. And that in doing that the Government absorbed a figure of \$109,000, and that that was vouchered and paid.

Col. REEVES. And this item was two hundred and sixty-one thousand and something?

Mr. GARRETT. Well, one hundred and nine thousand and something was allotted, as I understand, by the Government to the Hammond plant out of the \$261,000, and that was vouchered and paid for before this settlement was made.

Col. REEVES. I don't know anything about that, sir.

Mr. GARRETT. And that this \$261,000—

Col. REEVES (interposing). I do know at this meeting that this item was discussed, and as I recall it it was referred to as being the prorated part, and while all the members of the district board were there, nobody had questioned it. I think a discussion did take place between Col. Hughes and Mr. Blakley; I am sure that is the item. Col. McFarland took part in it and it seemed to settle itself apparently to the satisfaction of everybody there, so it was passed on.

Mr. GARRETT. Well, the next item which he refers to and which he criticises in part is on worked direct, materials, labor, and overhead, \$656,394.05. He says that is an item that would require practically 90 days to audit, and that he would have to have access to the books which company was denying them; did you ever hear of that?

Col. REEVES. No, sir.

Mr. GARRETT. He makes the contention that that should not be over \$250,000, and says that is a very conservative estimate, and states that as an opinion.

Col. REEVES. The view I got of this at the meeting, had the company's contract gone to completion of 964 carriages that the contract would have gone to \$20,000,000, and that the company can prove that they had practically 88 per cent of the arrangements made for carrying that work into effect. They completed 200 carriages; that 88 per cent of the preparations for the entire contract had been completed, although only 200 carriages were completed or assembled and turned over to the Government. That statement is true and nobody denied it; that is conservative, and the Government is getting off easy.

Mr. GARRETT. Mr. Blakey's testimony is: "In other words, if you take this \$656,000 and add it to the \$800,000 they had been paid, it gives them \$1,456,000. Now, based on the total cost for the work in process and the carriages completed, they should have \$1,050,000."

Col. REEVES. Of course, that is an expression that would have to be substantiated by actual figures, and I could only give you an opinion on it.

Mr. GARRETT. That is supposed to be 10 per cent profit on their work in excess of the 200 completed.

Col. REEVES. The 200 completed, they had a fixed profit on them. The question here is whether the uncompleted proportion would be ten times that or not; if it is 10 per cent profit on that it would have to be ten times that amount.

Mr. GARRETT. Yes.

Col. REEVES. For the company's contention is they have actually performed 85 per cent of their problems, and if that is true it would be easy to see that would be a large item.

Mr. GARRETT. Of course, there are other items here, Mr. Chairman, I do not really think it is profitable to pursue that, because we will have to get testimony from books about them; of course, the

Colonel does not naturally know anything about that matter and could only give his opinion.

Mr. GRAHAM. I think most of that stuff will be available in Chicago, where we can get at it.

Mr. JEFFERIS. One question I want to ask: Who represented that the company had done 80 per cent of the work, Colonel?

Col. REEVES. That was set up, as I recall now, in their first claim. I was so advised; I never saw it. I am advised their first claim was \$6,000,000, instead of the \$3,000,000 reached, and they claimed in their argument they had performed 85 per cent.

Mr. JEFFERIS. Up to what time; do you know?

Col. REEVES. I suppose up to the time they had completed these 200 carriages.

Mr. JEFFERIS. Mr. Russell, he thinks they had completed those 200 carriages about June 1, 1919.

Col. REEVES. I would not attempt to give any date on that, sir, at all; but they had specific directions to complete those 200 carriages, I understand.

Mr. JEFFERIS. You did not suppose they had directions to work on any other carriages?

Col. REEVES. No, sir; only to finish up enough of the material which they had actually in process to finish up those 200 carriages.

Mr. JEFFERIS. Can you tell us, Colonel, or if you can't, say so, when they were directed to complete 200 of them?

Col. REEVES. Only approximately; it was some time after the armistice; if I were to tell you it would only be indefinite.

Mr. JEFFERIS. Well, if you don't know——

Col. REEVES (interposing). It was probably early in January, or it may have been the latter part of December.

Mr. JEFFERIS. If you don't know——

Col. REEVES (interposing). I don't know, and my answer would not be of any value to you.

Mr. GARRETT. Was there any question in the minds of the board about the legal liability of the Government on this hotel business; for instance, here is an item [reading], "Difference in cost of present value of hotel, roadways, garage, etc., less amortization at 20 per cent, \$220,756.34." Was it clear to the committee that we were liable for that?

Col. REEVES. The question was not raised. I know the question of operating loss on the hotel was brought to my attention through correspondence had with the Ordnance Department in which it was indicated that the Government would stand the loss on the hotel. I think you will find that in the correspondence.

Mr. GARRETT. You mean the Government assumed the liability for the loss in the dormitories and hotel?

Col. REEVES. Yes; that is what I got from the correspondence. The question of the cost of the hotel itself was not raised. I might state here——

Mr. GRAHAM (interposing). Yes.

Col. REEVES. I am not offering any alibi at all, or any apologies, but so you can visualize our work. We have a great many claims to pass on, and it would be absolutely impossible for us to have a detailed knowledge of all the claims. The best we can do is to trust to the completion of the claims in the district. I have signed "

high as 35 claims in one day. You can see how impossible it would be to have a knowledge of all those claims. I have made some figures and it figured I would have to have 795 years if I would satisfy myself those claims had been proven.

Mr. GARRETT. You heard the complete testimony of Col. McFarland while he was on the stand?

Col. REEVES. Yes, sir.

Mr. GARRETT. Do you take the same view of salvage matters that he did and get the same impressions that he got concerning it?

Col. REEVES. Yes, sir; I did. I do not recall anything that he said pertaining to salvage that I had a different opinion. I might have expressed it in some different way. My only impression when we went out there was the one thing we had to determine was to visualize the thing and satisfy ourselves on the question of salvage; and that is the particular reason why I took Mr. Sofberg with me, and Mr. Hodges, to give me their opinions on the increased facilities.

Mr. GARRETT. Colonel, if it is a fair question I would like to ask you what impression it would have made on your mind if you had known of this bid of Briggs & Turvis?

Col. REEVES. I would not have signed it all. I am very careful about those things. I never sign a claim when there is a question of salvage value, or anything. Even after the Ordnance Bureau Board signs a claim I hold them on my desk sometimes for weeks until I send out an officer and absolutely assure myself.

Mr. GARRETT. You have heard read such parts of the letter of Mr. Blakey as have been read?

Col. REEVES. Yes, sir.

Mr. GARRETT. May I ask the same question in regard to that? Would that have had any effect upon your mind—what you have heard read here?

Col. REEVES. I can only answer that from my present method of handling claims. The Ordnance Bureau board has its examiners; I think about 23. Those examiners put their recommendations on those claims, and they recommend approval or disapproval. Now, even though the Ordnance Bureau board does that, I never sign until I make an examination with my small machinery, and then get the acquiescence of the examiner unless it is clearly evident that it is without fault. So, I should have done the same thing with Mr. Blakey if he had called these things to my attention while I was there or had received his letter; or, had I seen his letter, I certainly should not have signed it until those things were cleared up or I was satisfied.

Mr. JEFFERIS. Suppose Mr. Blakey should not be expected to hand the letter to you; he would hand his letters or observations to the Chicago district claims board.

Col. REEVES. It would be rather difficult to see what his mental processes would be. I would certainly have expected him, and do now expect him to call this to my attention.

Mr. JEFFERIS. Wouldn't you expect, Colonel, that he, being located there in Chicago, that whatever duties were assigned to him, that he should report to the Chicago district claims board?

Col. REEVES. I think, aside from that, in our meeting—there was no rank there at that meeting; no colonels or privates—at that particular time I think I would criticize him for not having brought it

to my attention. I think he should have brought it to my attention. If he had, the meeting would have stopped at once. If there had been any doubt at all about there being any question, we would not have gone on any further with it.

Mr. GARRETT. There was one statement of procedure that you made that struck me as a little peculiar, and that was having a viva voce vote at that meeting of all the persons present.

Col. REEVES. Yes, sir.

Mr. GARRETT. You explained, of course, that it was an informal meeting. I confess I do not quite get the necessity for that informal vote for those employees, some of them charged with absolutely no responsibility; that is, no executive responsibility.

Col. REEVES. That vote was simply and solely for the purpose of seeing whether anybody in connection with this claim had any objection. I put the vote that way—if any person has any objection, I mean, that all who favor the thing say aye, and then I took the negative vote. I was very careful about that, and remember that particularly and very clearly. "All those who have any objections to the claim, make it known by saying no." And there wasn't a single negative vote. And then I announced that it seemed to be unanimous. I did not vote myself; I naturally would not, being the chairman; not that I would not have done so, but the presiding officer—

Mr. GARRETT (interposing). Was Mr. Blakey present during any of those votes?

Col. REEVES. I am informed that I was. I do not think it was possible for him to go out. I do not think a single person left the room during the conference. Someone was sent out for Mr. Corey—I believe it was during the meeting—and he came back again. I sat at one side of the room and, as I recall it, Col. Hughes and Mr. Blakey were here [indicating], and I could observe every person in the room, and if anybody had left I would unquestionably have noticed it.

Mr. GARRETT. What was Col. Hughes's attitude toward the claim; was he particularly anxious to get it through just as he had recommended it?

Col. REEVES. Why, I never got any impressions one way or the other until this thing came up. It occurred to me that he was more or less tickled to have arrived at a settlement. It was one of those claims that Mr. Dorr told me we would not be able to arrive at a settlement by the contract.

Mr. GARRETT. Did you know why that was?

Col. REEVES. No, sir; I did not. The first thing Mr. Dorr asked me when I was leaving for Detroit, if I would see how it was getting along and talk with Mr. Russell, and I had the assurance from Mr. Russell that it was getting along nicely and probably would be settled.

Mr. GARRETT. That is all.

FURTHER TESTIMONY OF COL. R. H. HAWKINS—Recalled.

Mr. JEFFERIS. Colonel, can you tell this committee when the number of howitzer carriages to be manufactured by the Standard Steel Car Co. was reduced?

Col. HAWKINS. The first reduction in a formal way was under date of March 6, 1919, when the number was reduced from the original contract number of nine hundred and some to 300 carriages.

Mr. JEFFERIS. And then when, after that, was it reduced again, if you know?

Col. HAWKINS. On March 25, 1919, when the number was reduced to 200 carriages.

Mr. JEFFERIS. At whose direction was that done?

Col. HAWKINS. I issued that order, as contract officer, after the matter had been submitted to Col. Jenks, chief of the Artillery Division, to me from the Ordnance Claims Board. The Ordnance Claims Board acted on March 24.

Mr. JEFFERIS. Then the Ordnance Claims Board in March reduced the contract number to 200, as I understand?

Col. HAWKINS. Yes, it is what we call a suspension notice or a termination notice, in some cases.

Mr. JEFFERIS. Did the Ordnance Claims Board, in doing that, assume that it really in effect should have 200 of these carriages, or how did they come to do that?

Col. HAWKINS. The Manufacturing Division decides how many pieces it wants finished.

Mr. JEFFERIS. The Manufacturing Division would know?

Col. HAWKINS. Yes; the Artillery Division, of which Col. Jenks is the head; he has his program; he knows how many pieces he has; he knows how many he wants to have and he makes a recommendation that certain contracts be stopped immediately or be carried through, so that he has a total of so many pieces to be completed.

Mr. JEFFERIS. Then, as a matter of fact, Colonel, from the signing of the armistice until March 6, this Standard Steel Car Co. was permitted to run along just as though they wanted them all?

Col. HAWKINS. Yes; the only stop that came at all came after the signing of the armistice and was a stop on any further facilities. That notice I have here under date of December 11, 1918.

Mr. JEFFERIS. What was done then?

Col. HAWKINS. That was stopping any further work toward the construction or installation of increased facilities.

Mr. JEFFERIS. And all that was done then up to March 6, is it?

Col. HAWKINS. And the next step was February 15, which stopped any work on sets of battery spares.

Mr. JEFFERIS. And then on March 6, 1919, was when you cut it to 300?

Col. HAWKINS. Yes, sir.

Mr. JEFFERIS. And on the 25th you cut it to 200?

Col. HAWKINS. Yes, sir.

Mr. JEFFERIS. Do you know how much money this company expended in this contract; how many millions?

Col. HAWKINS. I do not have my reports here. At one place I had some indication that they spent \$4,000,000 on increased facilities.

Mr. JEFFERIS. That is, they had spent that up before you stopped them?

Col. HAWKINS. Yes, sir.

Mr. JEFFERIS. Now, that was for what; do you know?

Col. HAWKINS. I do not remember the details of it now. A great deal of machinery, and some buildings.

Mr. JEFFERIS. And you do not know how many more millions they spent working on this?

Col. HAWKINS. No; I do not.

Mr. JEFFERIS. Who can tell us?

Col. HAWKINS. The Chicago disbursing officer.

Mr. JEFFERIS. Who is he?

Col. HAWKINS. I do not remember now; they change them so often.

Mr. JEFFERIS. He is out there?

Col. HAWKINS. Yes; you can get him there.

Mr. GRAHAM. How many of these carriages were finished after March 2, 1919?

Col. HAWKINS. That is a matter of hearsay; no carriage had been completed until about February, and the 200—

Mr. GRAHAM (interposing). When were the deliveries stopped finally?

Col. HAWKINS. Deliveries were completed, as I understand it, about the 1st of June, and the carriages taken away, and proofs filed.

Mr. GRAHAM. Has any construction ever been made by your department or the Judge Advocate General's Department, under the act of March 2, 1919, whether it means "completion of contracts," or an informal contract?

Col. HAWKINS. Yes; that was taken up by the Judge Advocate General's Office and the Comptroller of the War Department and the War Department Claims Board, and we made a somewhat arbitrary ruling that no money should be paid on a claim made after June 30, 1919.

Mr. GRAHAM. Why after June 30?

Col. HAWKINS. The claims must be filed before June 30, 1919; and there isn't anything in the act that fixes any other date.

Mr. GRAHAM. No; the act says "that is completed and accepted by the Government."

Col. HAWKINS. I beg your pardon; as I remember the act says the claims may be filed for work done or undertaken, some such words, prior to the 12th of November, 1918, and then the next date is the date of June 30; that the claims must be filed before June 30, 1919.

Mr. GRAHAM. Well, the language of the statute is, as I remember it, "delivered to or accepted by the Government. Now, has your department construed that delivery to or accepted by the War Department at the time of the armistice, or at the signing of the armistice?

Col. HAWKINS. Before and after. On commitment orders placed prior to November 12.

Mr. GRAHAM. So that if the contract has been made before the signing of the armistice, in your judgment you can take deliveries on it right up to the 30th of June?

Col. HAWKINS. Yes; in a few cases where we knew deliveries would occur after the 30th of June we signed up new contracts and required the contractor to file a claim under the act of March 2, for everything done prior to the 30th of June.

Mr. GRAHAM. As I observe, where you accepted work to be completed after the act of March 2, in many cases you made a new contract?

Col. HAWKINS. If we expected the deliveries to run beyond June 30, 1919, we made a new contract for the work after that date. We did that in a number of orders on optical instruments.

Mr. GRAHAM. Well, then you expect them to file claims under that act?

Col. HAWKINS. We expect them to file claims for everything done up to June 30, 1919.

Mr. GRAHAM. And then from that time on they will have to be covered by other provisions?

Col. HAWKINS. Yes, sir.

Mr. GRAHAM. In how many cases have you done that?

Col. HAWKINS. Not many. I think about 25 contracts; principally for optical goods.

Mr. GRAHAM. Do you know about the contract value of those contracts?

Col. HAWKINS. It was not very large.

Mr. GRAHAM. Did you do that by virtue of any ruling?

Col. HAWKINS. Yes; the ruling of the War Department Claims Board.

Mr. GRAHAM. In other words, you concluded that if you needed more material that by virtue of that act of March 2 you could continue the life of this contract by making new contracts?

Col. HAWKINS. I did not quite get that.

Mr. GRAHAM. Well, I don't know that I have made myself plain. But let us assume a case: Now, you had a contract that is going to call for the completion of 300 gun carriages of a certain type and they are not finished by the time the armistice is signed and not finished at the time of the act of March 2, 1919, went into effect, permitting settlement of these informal contracts; and this is an informal contract, we will assume, and have 200 completed up to the 30th of June and 100 not completed. But, in order to avoid the ruling of the Judge Advocate General, which says they must be completed before the 30th of June, you make a new contract to cover the 100 uncompleted?

Col. HAWKINS. That is correct.

Mr. GRAHAM. Where are you going to get the money to pay for those?

Col. HAWKINS. We have unexpended appropriations—not fiscal appropriations—but when the fiscal appropriations ended on the 30th of June we still had some sums unallotted or unexpended under certain appropriations. You did not revoke any unexpended or unallotted funds.

Mr. GRAHAM. You say there are 25 of those contracts?

Col. HAWKINS. I am not very sure.

Mr. GRAHAM. On optical goods?

Col. HAWKINS. Principally on optical instruments.

Mr. GRAHAM. Some of them still effective and manufacturing going on, and some of them not?

Col. HAWKINS. Yes, sir.

Mr. GRAHAM. Do you recall any specific instances?

Col. HAWKINS. I think the Spencer Lens Co. are still working on some for the Artillery, and I think the Holt Manufacturing Co. is still working on some special material for the Tank and Tractor Division. I can not think of any others, sir.

Mr. JEFFERIS. Did the Judge Advocate General give his opinion in writing?

Col. HAWKINS. No, sir; I am not entirely sure about that. It came through to me as an order of the War Department Claims Board, and I had discussed the matter with some members of that board and they said they had a representative of the judge advocate present and also had a representative of the comptroller present.

Mr. GARRETT. When did they have this?

Col. HAWKINS. I think in May, as I recollect; my orders came through about the 10th to the 15th of May of this year.

Mr. JEFFERIS. Then, so far as you know, there has never been a written opinion by the Judge Advocate General as to what claims should be taken care of under this act of March 2?

Col. HAWKINS. I assume that he had given an opinion to the War Department Claims Board.

Mr. JEFFERIS. You assumed that he had?

Col. HAWKINS. Yes, sir.

Mr. JEFFERIS. Who would know that?

Col. HAWKINS. Somebody in that office, and I can find out from the recorder.

Mr. GRAHAM. Have you a copy of the War Department order?

Col. HAWKINS. Yes; I can send you a copy of the order.

Mr. GRAHAM. I wish you would send a copy of it so that it can be inserted here in the record.

(The order referred to was afterwards furnished by Col. Hawkins and is here printed in full, as follows:)

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, October 18, 1919.

Hon. WILLIAM J. GRAHAM,
House of Representatives.

MY DEAR MR. GRAHAM: At your meeting yesterday you requested information as to the authority to make any payments for goods delivered or services performed subsequent to March 2, 1919, if the deliveries were made, or the services were performed under the terms of an informal contract coming within the provisions of the act of March 2, 1919. You questioned the propriety of making payments under such informal contracts after March 2, 1919.

This question was considered by the War Department Claims Board and in the office of the Director of Finance. I am forwarding a copy of Finance Circular No. 72, dated May 29, 1919, which contains excerpts from resolutions of the War Department Claims Board adopted May 9 and May 13. You will notice that the disbursing officers were instructed to pay vouchers for—

“Completed articles, work, or services delivered under fixed-price agreements which are not executed in the manner prescribed by law and which have not been, or are not to be, terminated. These payments may cover both completed articles, work, or services heretofore delivered and those which may hereafter be delivered at any time before June 30, 1919.”

On page 4 of the same circular you will find a copy of a resolution of the War Department Claims Board which in effect contemplates payment for deliveries between March 2, 1919, and June 30, 1919. This resolution contemplates the making of new contracts for future deliveries contemplated after June 30, 1919. The resolution seems to contemplate a payment for deliveries prior to June 30, 1919, under the terms of the informal contract placed prior to the 12th of November, 1918.

The War Department Claims Board under date of June 2, 1919, submitted a memorandum to the Ordnance Office suggesting a form of clause to be used in formal contracts made to cover articles to be delivered after June 15, 1919, in cases where the delivery of the articles provided for in an agreement which was not executed in the manner prescribed by law. A copy of this memorandum is herewith forwarded.

Hon. WM. H. GRAHAM.

In line with the resolution of the War Department Claims Board the Ordnance Office issued a so-called Office Order, No. 683, which contemplated payment in the regular way upon vouchers for articles delivered prior to June 15, 1919, although the deliveries were contemplated in an informal contract. This office order directed the execution of formal contracts for deliveries required subsequent to June 15, 1919.

I am inclosing a copy of this office order.

Respectfully,

R. W. HAWKINS,
Lieutenant Colonel, Ordnance Department, United States Army.

WAR DEPARTMENT,
FINANCE SERVICE,
OFFICE OF THE DIRECTOR OF FINANCE,
Washington, May 29, 1919.

Finance Circular No. 72.

Subject: Payment for articles delivered and work and services performed on informal fixed price and cost plus contracts.

1. The following resolutions of the War Department Claims Board, adopted May 9 and 13, 1919, relating to payments for articles delivered and work and services performed on informal fixed price and cost plus contracts, are published for the information and guidance of those concerned:

"Resolved, That in the opinion of this board where performance has been made under contracts not executed in the manner prescribed by law and payments required by the terms of the contract have been made, it is unnecessary for formal claims to be presented or awards made under the act of March 2, 1919, with reference to such payments. In the event, however, that at any time it should be held that such payments were improperly made because of informality in the execution of said contracts, the vouchers presented for said payments shall be given the same force and effect as claims presented under the act of March 2, 1919."

"Resolved, 1. The War Department Claims Board hereby finds that where articles, work, or services are delivered to, and accepted by, the United States pursuant to any fixed-price agreement which was not executed in the manner prescribed by law, and which is within the act of Congress of March 2, 1919, (which agreements are hereinafter called "informal agreements"), the payment, adjustment and discharge of that agreement on a fair and equitable basis will include, in addition to such amounts, if any, as may be allowed on account of the suspended or terminated portion of such agreement, if a portion thereof was suspended or terminated, the payment for the articles, work, or services delivered and accepted at the price and on the terms specified in such informal agreement, less such deductions for delinquencies, advances, or other causes as would have been made had such agreement been executed in the manner prescribed by law."

"2. Disbursing officers are hereby authorized and instructed to pay for articles, work, or services delivered and accepted under any such informal fixed-price agreement at the price and in accordance with the terms of such agreement, but in making such payments deductions must be made for delinquencies, advances, or other causes to the same extent, and in the same manner, as if by the agreement had been executed in the manner prescribed by law."

"3. The foregoing payments must be limited strictly to articles, work, or services actually delivered and accepted under any such informal fixed-price agreement, and must include nothing on any claims for compensation on account of that portion of any such informal agreement which may have been suspended, terminated, or canceled. Claims for compensation on the uncompleted portion of any such informal agreement must be fixed by a specific award of the War Department Claims Board, and may be paid only on such awards."

"4. No informal agreement is within the act of Congress of March 2, 1919, unless it was made between April 6, 1917, and November 12, 1918, by an officer or agent acting under the authority, direction, or instruction of the Secretary of War or of the President, and unless it was performed in whole or in part, or

expenditures were made or obligations incurred upon the faith of the agreement prior to November 12, 1918.

"The foregoing resolution shall not be construed to authorize payments where the defectively executed contracts, excessive or unlawful purchase order or procurement order was made subsequent to November 11, 1918.

"5. In addition to the weekly reports furnished by finance managers and disbursing officers to the settlements division, office of the Director of Finance, the officers now furnishing such reports shall also furnish weekly reports of all payments made in accordance with the terms of this resolution. Said reports will show:

"(a) The name of the contractor.

"(b) The number of the informal contract, purchase order, or procurement order.

"(c) The date of the informal contract, purchase order, or procurement order.

"(d) The kind of article, work, or service delivered.

"(e) The unit price or other terms of payment named in the informal contract, purchase order, or procurement order.

"(f) The amount of payment.

"(g) Statement whether payment is the final payment under the informal contract, purchase order, or procurement order.

"(h) Statement whether any portion of the informal contract, purchase order, or procurement order has been suspended or terminated.

"(i) Total of all previous payments made under the informal contract, purchase order, or procurement order.

"(j) Total amount of deductions for delinquencies, advances, or other causes made under the informal contract, purchase order, or procurement order.

"6. Appropriate blanks will be furnished to finance officers for these reports.

"7. Attention of all zone, district, and bureau claims boards is directed to the provisions of Supply Circular No. 17, Revised, which provides that where prior to final award payments for articles, work, or services have already been made the amount of such payments must be stated in the award. The amount so stated as having been paid must correspond with the amounts of payments as furnished by finance managers and disbursing officers to the claim board."

"*Resolved*, 1. The War Department Claims Board hereby finds that where expenditures are made, obligations or liabilities incurred, or work or services performed or rendered under, and pursuant to, the terms of any cost-plus agreement which was not executed in the manner prescribed by law, and which is within the act of Congress of March 2, 1919 (which agreements are hereinafter called "informal cost-plus agreements"), the payment, adjustment, and discharge on a fair and equitable basis of such informal cost-plus agreements will include reimbursement and remuneration for expenditures properly made, obligations or liabilities properly incurred, and work or services properly rendered or performed in accordance with the terms of said agreement.

"2. Disbursing officers are hereby authorized and directed to make payments of all items of cost, and of remuneration therefor, provided for under the terms of such informal cost-plus agreements, which are approved by the cost accounting officers of the bureau administering the settlement of such informal cost-plus agreements: *Provided*, That no such payment shall be made under any such informal cost-plus agreement after May 30, 1919, unless or until a statement of claims has been presented by the contractor and a Form C certificate of such informal cost-plus agreement has been duly executed, all as provided in said Supply Circular No. 17, Revised: *Provided further*, That final payments under such informal cost-plus agreements shall be withheld until a specific award in the form provided for under Supply Circular No. 17, Revised, has been made in the manner provided for in said circular."

"Whereas it appears that under certain contracts not executed in the manner prescribed by law, deliveries will be required hereafter for the use of the Army, and

"Whereas it is important that all contracts under which the War Department in operating should be executed in the manner prescribed "

"Be it resolved, That supply bureaus are directed to make as speedily as practicable, an examination of all informal contracts on which deliveries are still being made, and where deliveries will extend beyond June 15, to take immediate steps to enter into new contracts as to future deliveries. Such contracts may be made and executed on any date prior to June 30, 1919. Where, however, the contractor will not make a new contract for future deliveries on terms as advantageous to the Government as those of the outstanding informal contract, payment should continue to be made for articles, work, and services delivered and accepted in accordance with the terms of the informal contract, but the attention of the contractor should be called to the fact that no payment can be made on such informal contracts except for articles, work, and services actually delivered by the contractor and accepted by the United States."

2. The term "agreement not executed in the manner prescribed by law" includes every agreement which is not signed at the foot thereof by the contractor, and by the contracting officer who is named in the body of the contract, excepting that the term does not include purchase orders or procurement orders which are to be performed within 60 days and are within the monetary amount by regulation of the bureau which issues same.

3. If the agreement is in the form of an original agreement and one or more supplemental agreements, then the contract is not executed in the manner prescribed by law unless both the original agreement and every supplemental agreement is signed at the foot thereof by the contractor, and by the contracting officer who is named in the body of the contract.

4. The term "agreement not executed in the manner prescribed by law," therefore, includes the following typical kinds:

(a) Proxy signed contracts, i. e., contracts where one contracting officer is named in the body of the contract, as for example, "A. B., Major, Contracting Officer," and the contract is signed, "A. B., Major, by C. D., Captain," and the "Captain" actually does the signing.

(b) Excessive purchase orders and procurement orders, i. e., purchase orders and procurement orders in an amount in excess of that allowed by the regulations of the bureau issuing the same.

(c) Purchase orders or procurement orders which are not to be performed within 60 days and exceed \$500 in amount.

(d) Agreements which are evidenced only by letters, telegrams, or informal memoranda.

(e) Verbal agreements.

(f) Agreements which, by the terms thereof, are to be performed prior to the date of the agreement.

(g) *Valid, properly signed agreements which are subsequently amended or changed by verbal or improperly signed agreements, or by letters or telegrams, provided that the change affects the terms and conditions or price of the article originally contracted for, excepting where the original agreement specifically provides for the making of such changes, as for example, provisions for changes in specifications, design, etc.

The classification included in this paragraph (g) does not include valid agreements in connection with which additional or other article are ordered. In that case, there is one valid agreement for the original articles, and a separate independent agreement for the additional articles.

5. In connection with excessive purchase orders, attention is directed to the fact that Purchase and Storage Notice No. 16 does not increase the monetary amount which can be covered by a valid purchase order.

6. One purpose of the resolution and general award of the War Department claims board, quoted above, is to ratify and confirm payments heretofore or hereafter made by disbursing officers for finished articles or work delivered in accordance with the terms of informal agreements.

7. Finance managers and disbursing officers are already making two forms of weekly reports on settlement of contracts. The "Form 1" report covers payments where the settlement is effected by a supplemental agreement; the "Form 2" report covers the payments where the settlement is effected by an award under the act of Congress of March 2, 1919. In addition thereto, finance managers and disbursing officers will furnish "Form 3" and "Form 4" reports to the settlements division, Office of the Director of Finance, Munitions Building, Washington, D. C., from time to time as completed, and in no case later than June 30, 1919.

8. "Form 3" reports will cover payments under agreements which have not been executed in the manner prescribed by law where the following three features are all present:

(a) The agreement shall be within the act of Congress, i. e., it shall have been made between April 6, 1917, and November 12, 1918, and a partial performance or expenditure on account of performance shall have been made prior to November 12, 1918.

(b) The agreement shall not have been canceled, terminated, or suspended.

(c) Some payment for finished articles, work, or services furnished under the agreement shall have been made on or after March 2, 1919.

9. The reports which shall be furnished shall show:

(1) The name of the contractor.

(2) The date of the contract, order, or other document on which delivery was made.

(3) The number of the contract, order, or other document on which delivery was made. If the delivery was on a letter of award, or on correspondence which had no number, state the number of the purchase authorization.

(4) The character of the document on which delivery was made; for example, proxy contract, excessive-purchase order, letter of award, Schedule A, correspondence, etc.

(5) The type of article or articles covered by the contract, order, or other document on which delivery was made. This shall be a general description only.

(6) The quantity of the article or articles, as for example, 500 dozen, or 200 pounds, 100 tons, etc.

(7) The unit price.

(8) The total contract price.

(9) Payments made—these shall be subdivided as follows:

(a) Payments prior to March 2, 1919.

(b) Payments on or after March 2, 1919.

(10) Statement whether the last payment was or was not final.

10. "Form 4" reports will cover payments under agreements which were not executed in the manner prescribed by law where the following features are all present:

(a) The agreement shall be within the act of Congress, i. e., it shall have been made between April 6, 1917, and November 12, 1918, and a partial performance or expenditure on account of performance shall have been made prior to November 12, 1918.

(b) The contract shall have been suspended, terminated, or reduced, and a specific award shall not as yet have been made thereon.

(c) Some payment for finished articles, work, or services furnished under the agreement shall have been made on or after March 2, 1919.

In each of these cases a specific award will be made in the future.

11. For the purpose of furnishing an additional check and additional information to the boards which make awards, disbursing officers should, in "Form 4" reports, set out:

(1) The name of the contractor.

(2) The number of the agreement.

(3) The date of the agreement.

(4) The total amount of money paid under the agreement.

12. In view of the foregoing provisions, disbursing officers may pay vouchers for:

(a) Completed articles, work, or services delivered under fixed-price agreements which are not executed in the manner prescribed by law and which have not been, or are not to be, terminated. These payments may cover both completed articles, work, or services heretofore delivered, and those which may hereafter be delivered at any time before June 30, 1919.

(b) Completed articles, work, or services delivered under fixed price agreements which are not executed in the manner prescribed by law, and which have been terminated, to the extent that such completed articles, work, or services have not as yet been paid for.

13. The procedure established under paragraph 7 hereof may also be followed in connection with informal cost-plus agreements, with this exception: No payment shall be made after May 30, 1919, unless and until a "Form A" claim and a "Form C" certificate shall be on file in connection with the information under which payment is requested. Disbursing officers are

receive proof that such claims and certificates are on file before making payments on informal cost-plus agreements after May 30, 1919.

14. Attention is directed to the fact that every payment of the kind hereinabove described which is omitted from the reports may be the subject matter of suspension. The act of Congress of March 2, 1919, provides that the Secretary of War shall report to Congress at the beginning of its next session following June 30, 1919, a detailed statement showing the nature, terms, and conditions of every agreement not executed in the manner prescribed by law which he has paid, adjusted, and discharged, and the payment or adjustment thereof.

15. The "Form 3" report referred to in this circular is to be used as a basis for the report which the Secretary of War will make with respect to agreements not executed in the manner prescribed by law which have been completely performed and on which any payment has been made subsequent to the date when the act of Congress went into effect. Therefore the report states, first, the name of the contractor, date, and number, for purpose of identification; second, the kind of article, quantity, unit price, and total contract price, to show the nature, terms, and conditions; and, finally, the payments made, to show the adjustment and discharge.

16. The next purpose of "Form 3" report is to procure data so that a general statement and report can be made for the use of the auditor to show what agreements are covered by the general award, and if desirable, a further confirmatory award can be made. The strictest attention must be exercised to see that every transaction referred to in this circular is included within the reports.

H. M. LORD,

Brigadier General, Director of Finance, United States Army.

OFFICE ORDER NO. 683 (INFORMAL CONTRACTS AND ACTION OF MANUFACTURING DIVISIONS THEREON).

WAR DEPARTMENT,

OFFICE OF THE CHIEF OF ORDNANCE,

Washington, May 17, 1919.

1. The manufacturing divisions are directed to ascertain promptly which of their informally executed contracts cover deliveries or performance which will or may extend after June 15. Immediate steps will be taken by such manufacturing divisions to enter into new formally executed contracts for all future production or performance. Such contracts may be made and executed on any date prior to June 30, 1919. Where the contractor will not make a new contract on terms as advantageous to the Government as those of the existing informal contract, payment will continue to be made for articles, work, and services delivered and accepted in accordance with the terms of the informal contract. The attention of the contractor will be called to the fact that no payment can be made under such informal contract except for articles, work, and services actually delivered by the contractor and accepted by the United States.

2. The manufacturing divisions are directed to notify all their contractors having informal cost or cost-plus agreements that after May 30, 1919, no payments will be made on vouchers unless and until a statement of claim has been presented by the contractor and a Form "C" certificate of such informal agreement has been duly executed in accordance with the provisions of Claims Board Circular No. 56, and further, that final payments under such informal agreements will be withheld until a statutory award in the form provided in Claims Board Circular No. 61 has been made in the manner provided for in said circular.

W. S. PEIRCE,

Brigadier General, Ordnance Department, United States Army,

Acting Chief of Ordnance.

Official:

W. W. GIBSON,

Colonel, Ordnance Department, United States Army.

JUNE 2, 1919.

From: Standing committee, War Department Claims Board.

To: Ordnance Office, Administration Division, Advisory Section. (Attention
Lieut. Col. J. R. Delafield.)

Subject: Clauses for formal contracts to take the place of informal contracts.

1. The following clause is suggested for use in formal contracts made to cover articles to be delivered after June 15 in cases where the delivery of the articles was originally provided for in an agreement which was not executed in the manner prescribed by law:

"The Secretary of War will proceed, upon the filing of an appropriate statement of claim by the contractor under the provisions of the act of March 2, 1919, entitled 'An act to provide relief in cases of contracts connected with the prosecution of the war, and for other purposes,' to adjust, pay, and discharge the informal agreement. For the purpose of making such adjustment, payment, or discharge the total units of said informal agreement shall be deemed to be the number of units specified therein and the canceled portion shall be arrived at by subtracting from the said total number of units the units actually delivered under the canceled agreement plus the units to be delivered under this contract. The execution of this contract shall not relieve or in any way be construed to relieve the contractor from the assessment and deduction of liquidated damages which may have accrued or have been incurred under the said informal agreement, nor shall the execution of this contract affect any right of the contractor to secure appropriate extensions of time for deliveries, allowances for delays, or refund of liquidated damages heretofore deducted. For the purpose of determining the assessment of liquidated damages heretofore or hereafter accruing the dates of or the time prescribed for deliveries in said informal agreement shall be the dates of delivery. Uncompleted material and work, and also raw material and components parts remaining from the said informal agreement shall, so far as practicable, be used and finished in the items or parts of items or work herein agreed to be made or done."

STANDING COMMITTEE.

By WM. H. DAVIS, *Chairman*.

(And thereupon, at 5.20 o'clock p. m., the committee adjourned.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Chicago, Ill., Monday, October 20, 1919.

The committee met in the assembly room of the Illinois Trust & Savings Bank Building, Chicago, Ill., pursuant to call of the chairman, Hon. William J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Mr. GRAHAM. Gentlemen, I think we will proceed. Mr. Miller, I believe we will examine you first.

**TESTIMONY OF MR. CHARLES R. MILLER, SUPERVISOR OF COST
ACCOUNTING OF CHICAGO DISTRICT ORDNANCE OFFICE.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Miller, what is your full name?

Mr. MILLER. Charles R. Miller.

Mr. GRAHAM. Where do you live, Mr. Miller?

Mr. MILLER. In Chicago.

Mr. GRAHAM. Been your home for some years?

Mr. MILLER. I was born here; yes, sir.

Mr. GRAHAM. Have you in recent years been employed by the Government in any capacity?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. In what capacity?

Mr. MILLER. Accountant in charge of the cost-accounting section from January 17, 1917; and in May, 1917, I was made supervisor of the Chicago district cost accounting.

Mr. GRAHAM. During that time, and from that time to this, has that been your official position?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. That is, you have had charge of the cost accounting in the Chicago district?

Mr. MILLER. In the Chicago district; yes, sir.

Mr. GRAHAM. In the Chicago district for the Ordnance Department?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. As accountant have you had anything to do with the claims of the Otis Elevator Co. and the Standard Steel Car Co.?

Mr. MILLER. Indirectly. At the Standard Steel Car Co. we have an accountant in charge under me, and the same is true at the Otis Elevator Co. When the accounts of the Standard Steel Car Co. are presented an accountant there does the auditing as much as he can;

Mr. Blakey did that as much as he could. I did not do any of the auditing myself, but I supervised it.

Mr. GRAHAM. Have you ever been at the plant at Hammond?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. How frequently do you go out there?

Mr. MILLER. I would go out every two or three months, or oftener.

Mr. GRAHAM. Were you familiar with the bookkeeping in the office, as to the disbursements and receipts of money in that plant?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. What amount, Mr. Miller, was allotted by the Ordnance Department to carry that particular plant, do you know?

Mr. MILLER. I have forgotten exactly what the original allotment was, but I can find out.

Mr. GRAHAM. Do you know what the total allotments were?

Mr. MILLER. I have forgotten that. I can find that out. I have the expenditures.

Mr. GRAHAM. Tell us now the expenditures that have been made. Are your items in your statement?

Mr. MILLER. Total expenditures, \$17,282,428.88—seventeen million two hundred eighty-two thousand four hundred twenty-eight dollars and eighty-eight cents, paid in the plant. The direct materials—if you want these figures I can give you a copy of the statement.

Mr. GRAHAM. You can give them to us and then give a copy to the reporter so that he may check them.

Mr. MILLER. Direct materials, is \$690,282.69; factory overhead expense, \$152,325.49; administrative and general expense, \$100,091.72; special purchases, \$1,459,067.65, making a total of \$2,401,767.55. Incident to that amount I might say that before the Chicago district office was established, Washington handled these vouchers, and that was paid in Washington by the finance manager. After the Chicago district was established, that was paid by our own finance manager, and we paid as follows:

Direct material, \$7,133,530.08; direct labor, \$1,119,369.17; factory overhead expense, \$2,157,082.73; administrative and general expense, \$478,338.76; special purchases, \$2,275,073.69; claims, said contracts paid to date, \$894,435.45; interest, \$64,844.65, and profit, \$800,000; a total of \$14,880,661.33; that, together with the amount paid by the Washington office totals, \$17,282,428.88.

Mr. GRAHAM. When was the last payment made on that, Mr. Miller?

Mr. MILLER. I could not say when the real money was paid in Washington, because it has been our habit to voucher the amount out and send them to Washington to the finance man.

Mr. GRAHAM. At the time the settlement was made with the Standard Steel Car Co., were there still some unvouchered amounts for materials furnished?

Mr. MILLER. Yes; some three or four hundred thousand dollars.

Mr. GRAHAM. Do you know whether vouchers had been issued for any of those amounts?

Mr. MILLER. Yes, sir; vouchers are being issued right along, and will be as long as they are O. K'd.

Mr. GRAHAM. There was, then, that amount due when the final award was signed and given to this company?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. And when they cashed their final check?

Mr. MILLER. Yes, sir; those amounts are still going through, whether they will be paid by the Washington finance manager I do not know.

Mr. GRAHAM. Under the system of making those awards, the award is considered a settlement, and when they get their check that is ordinarily considered settled?

Mr. MILLER. Yes, sir; that is, but whether it is in this case or not, I do not know.

Mr. GRAHAM. I observe some peculiar language in this award; it appears to me as peculiar; I do not know whether it is in the others or not. I want to ask you about it. Paragraph 4 of the exhibit attached to the award as made by the Chicago district ordnance office reads as follows:

The settlement, in accordance with the foregoing findings, subject, however, to the approval of the ordnance claims board, shall be in full settlement of any and all claims or demands in law or in equity which the contractor, its successors, representatives, agents, or assigns, has or may have growing out of or incident to the contract hereinabove mentioned, and such settlement shall constitute a complete termination of every question of claims, legal or equitable, liquidated or unliquidated, pertaining to or growing out of said contract, except that all articles or work delivered and accepted heretofore under and in pursuance of the original contract and not yet paid for shall be paid for in accordance with the provisions of said original contract.

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Now, that final proviso in there, I presume, justifies the awards for former materials?

Mr. MILLER. Yes, sir; that is the reason we are passing those through.

Mr. GRAHAM. Did you ever know of that language in any other award?

Mr. MILLER. I am not very familiar with the awards.

Mr. GRAHAM. Did you ever see that in any award before?

Mr. MILLER. No, sir.

Mr. GRAHAM. Do you know who put it in there?

Mr. MILLER. No, sir.

Mr. GRAHAM. Now, Mr. Miller, that particular exhibit that I have read from is a part of the files in the Chicago district board, isn't it?

Mr. MILLER. I believe so; yes, sir.

Mr. GRAHAM. Do you have there a copy of the full award that was made for the Chicago district board?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. I wish you would furnish the reporter a copy of the award in full, with all exhibits, so that if it is not already incorporated in our records it may be incorporated at this place.

Mr. MILLER. I think it is complete.

Mr. GRAHAM. You do not know how that came to be put in there?

Mr. MILLER. I do not.

Mr. GRAHAM. Who drew that?

Mr. MILLER. I don't know. The cost accountants, when the report goes to the ordnance claims board we washed our hands of it. We are very technical in our audit, and the claims board, when they get

reports of the cost accountants and the investigating committee, they take all their information together. When we decide on the overhead of the cost accounting section, they take it, because that is our business. They seldom question an overhead.

Mr. GRAHAM. Up to the signing of the armistice, had any carriages been produced on this contract at the Hammond plant?

Mr. MILLER. I think there was one. I am not certain.

Mr. GRAHAM. Was it finished?

Mr. MILLER. I could not say with accuracy on that.

Mr. GRAHAM. Now, I want to go into the matter to some extent of the claims of the Standard Steel Car Co. that there were a great many delays that occasioned a loss of considerable time to them in this work. Do you know anything about that, so that you can go over it from the beginning and give us some historical statement of the delays in the plant?

Mr. MILLER. Well, there is more or less delays in all plants; just how extensive it was in the Standard Steel Car Co. is not in my department.

Mr. GRAHAM. Who would be able to give us information?

Mr. MILLER. The production office; the man speeding the production was the man posted on that.

Mr. GRAHAM. Do you know whether the entire amount of \$17,000,000 and some odd dollars that you have mentioned, was actually expended by this company?

Mr. MILLER. Yes, sir; we know that, because we see their canceled checks and vouchers, and would not pay them a cent unless they had spent the money. That is the only way we could do under the law, and under the rules.

Mr. GRAHAM. Had it been up to the signing of the armistice?

Mr. MILLER. Oh, yes; we never pay anything they do not spend.

Mr. GRAHAM. So that, before you paid them anything you required them to show that the entire amount had been expended that they had had up to that time?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. I find in looking over the files which have been furnished us by Col. Hughes, a telegram dated September 26, 1919, and signed by Pierce, Army agents. It is addressed to the Chicago district claims board, that the Standard Steel Car Co. owes the Government principle \$905,628.09, and interest they owe \$151,945.97. That is interest figured up to September 9, 1919. Maj. Goodacre suggests we do not take these figures into consideration in settlement contract, and that he will make full deductions with interest owed from date when settlement contract has been approved by Washington and voucher goes to him for payment. Do you know anything about that?

Mr. MILLER. That is the first time I had heard of it.

Mr. GRAHAM. This telegram can go into the record at this place. (The telegram referred to is as follows:)

WASHINGTON, D. C., September 26, 1919.

Mr. R. H. MANSFIELD,

Secretary Chicago District Claims Board, Chicago, Ill.

Standard Steel Car Co. owes Government principal \$905,628.09, in interest they owe \$151,945.97. This interest figures to September 9, 1919. Maj. Goodacre suggests we do not take these figures into consideration in settlement con-

tract and that he will make full deductions with interest owed from date when settlement contract has been approved by Washington and voucher goes to him for payment.

WESTERVILT PIERCE,
28129 Army Ordnance.

Mr. GRAHAM. This telegram is sent by Pierce, Army Ordnance, to R. H. Mansfield, secretary Chicago district claims board. Do you know anything about that?

Mr. MILLER. I don't know anything about it.

Mr. GRAHAM. Do you know whether the Government did owe the Standard Steel Car Co. anything in interest?

Mr. MILLER. We owed them interest for money, but I do not see how it could be the other way.

Mr. GRAHAM. This money that was paid to the Standard Steel Car Co. from time to time, was it all used for labor or materials for car special facilities?

Mr. MILLER. It was all used in those——

Mr. GRAHAM (interposing). What part was used in special facilities?

Mr. MILLER. The amount in special facilities was, from Washington, \$1,459,067.65; that was before the Chicago district was established.

Mr. GRAHAM. Do you know what that was for?

Mr. MILLER. For buildings and machinery.

Mr. GRAHAM. Did you ever see the buildings?

Mr. MILLER. Oh, yes.

Mr. GRAHAM. How large were the buildings that were built out there?

Mr. MILLER. Very large; they have a big plant out there.

Mr. GRAHAM. Do you know how much was paid for them altogether?

Mr. MILLER. The sum of those two amounts [indicating].

Mr. GRAHAM. How much do they aggregate?

Mr. MILLER. \$3,734,000, in round figures.

Mr. GRAHAM. The Standard Steel Car Co. have those buildings, and are using them, are they?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. They are located at Hammond, Ind., and are a part of their plant?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Are they such buildings as can be used for their purposes?

Mr. MILLER. They purchased them. There are two sides, the commercial side and the ordnance side; that is where the Government spent the money.

Mr. GRAHAM. Do you know anything about the settlement of this claim, by having personal contact with it?

Mr. MILLER. When Mr. Blakey sent in his report, I read it, naturally, and it went up to the claims board as his report, and then it was entirely up to the claims board what they did with it.

Mr. GRAHAM. Did you check over these various items Mr. Blakey had mentioned to see whether in your judgment it was correct or not?

Mr. MILLER. Yes; but you see it is very vague in many ways; he said, "This item can be verified, and this item not," and so on.

Mr. GRAHAM. I want to call your attention to these items seriatim. In the first place, item A, under Schedule VI of the Chicago award, "Carrying charges during period of nonproduction, \$99,000." Now, in your judgment, Mr. Miller, was that a proper charge? Was there any such thing as a carrying charge during the period of nonproduction that was properly chargeable to the Government?

Mr. MILLER. I do not see that wording here opposite the \$99,000.

Mr. GRAHAM. It is a copy of the award I have here, of the Chicago District Claims Board, the very first item—item A, under No. VI.

Mr. MILLER. Well, as far as that \$99,000 goes, there would possibly be an item of the carrying charge during the nonproductive period.

Mr. GRAHAM. How could there be a carrying charge during the period of nonproduction when the Government was paying all the expenses and had taken it over entirely? As auditor and accountant, would you say, under ordinary circumstances a charge like that would be proper?

Mr. MILLER. This does not refer to the money we paid. The money is paid 100 per cent; but they would have a carrying charge on getting into production which was absorbed on getting into production, and we had the plant 100 per cent. This must be for getting under production from the commercial business; that is why it is in the claim. If the claim had been ordnance—on the ordnance side—we would have paid that.

Mr. GRAHAM. What is a carrying charge?

Mr. MILLER. It might be administrative and overhead—

Mr. GRAHAM (interposing). The Government paid all that.

Mr. MILLER. Yes, sir.

Mr. GRAHAM. What else would it be?

Mr. MILLER. It could have been paid on the commercial side.

Mr. GRAHAM. Why should it be?

Mr. MILLER. That is something I could not answer.

Mr. GRAHAM. Well, do you think it should?

Mr. MILLER. If they suffered a loss on the carrying charges.

Mr. GRAHAM. If you hire a company to make some goods for you, and they are at the same time in another factory making something else, it is hardly justifiable for you to pay a carrying charge for that on some goods that they are making.

Mr. MILLER. The contract is that you can not penalize them in any way. Now, if you do not pay that you would be penalizing them in a commercial operation.

Mr. GRAHAM. Why?

Mr. MILLER. I don't know why.

Mr. GRAHAM. Why do you think it would penalize them?

Mr. MILLER. A man might use his commercial organization in such a way that he could not get it back in the contract, especially if he only manufactured a certain number of units, and if he was going to make quite a good many units it would penalize him.

Mr. GRAHAM. State that again.

Mr. MILLER. A contractor gets a contract for 1,000 units, we will say; the armistice comes along and you cancel the contract after he has made 200 and you have penalized him.

Mr. GRAHAM. But the law is, under which this contract is settled, that he is not entitled to prospective profits, but only for such money as is due him for what he had already done.

Mr. MILLER. Very true.

Mr. GRAHAM. Now, under an oral contract, tell us how you justify this.

Mr. MILLER. I do not justify it under the heading of anticipated profits, but under the heading of damage.

Mr. GRAHAM. What damage?

Mr. MILLER. Damage to his commercial business.

Mr. GRAHAM. How would it damage his commercial business? Let us see how you get at that.

Mr. MILLER. A part of his plant is used for Government work. He is ordered to take the machinery out of there and throw it on the other side.

Mr. GRAHAM. Ordered to do so? He takes the contract.

Mr. MILLER. He takes it with the anticipation of finishing a thousand units, and he says, "If I finish a thousand units I will make the net profit to offset that loss." Then you cancel his contract and thereby penalize him.

Mr. GRAHAM. Then it all resolves itself in the end to the fact that you think he is losing profits that he might have made and thereby he is losing profit, which is a just charge and is justifiable?

Mr. MILLER. I think a charge where he can show he is damaged is justifiable. Not in the sense of anticipative profits, because you have cut those off by cancelling the contract.

Mr. GRAHAM. You can not arrive at any conclusions that he is entitled to that except in view of the fact that he lost profits that he might otherwise have made, can you?

Mr. MILLER. No; he can show you—of course, the anticipated profits are not chargeable; we know that. But if he can show you damages on account of the loss of his commercial business I think you can pass it on account of the damage.

Mr. GRAHAM. Did you O. K. this?

Mr. MILLER. I did not; no, sir.

Mr. GRAHAM. Do you want to say to this committee now, that you O. K. the items of this claim?

Mr. MILLER. No, sir.

Mr. GRAHAM. Well, this \$99,000; that is, the carrying charge; do you say to the committee that that is justifiable, as an accountant?

Mr. MILLER. The \$99,000 I never audited. I do not know whether it ought to be \$99,000 or \$900,000.

Mr. GRAHAM. Do you know whether anybody else has ever audited it?

Mr. MILLER. Mr. Blakey's report is here, and states what he audited on the contract.

Mr. GRAHAM. Do you say he audited that?

Mr. MILLER. I was trying to find that here [referring to papers]. No, Mr. Blakey did not audit that. The items Mr. Blakey was to look into and audit are those marked with a cross, or X; this is with a check. Here is the original paper, I think [referring to papers]. I think every item marked with an X he was supposed to look into and give an opinion on, but the ones marked with a check, he was not supposed to look into; so this is arbitrary—

Mr. GRAHAM (interposing). Now, let us take the next item. We called you first because we knew you were the accountant in charge, and we wanted to get as much information as we can out of this.

Unabsorbed administrative expenses, \$261,251.45. I understand all these items were agreed to by Col. Hughes. Who had the principal charge, Mr. Miller, of the negotiation of this settlement?

Mr. MILLER. The claims board—why, not really the claims board; Col. Hughes is the man that this claim was given to to settle.

Mr. GRAHAM. Do you know how long he was working at it?

Mr. MILLER. Two or three weeks, I think; maybe longer than that.

Mr. GRAHAM. Did he ask the assistance of you or the other accountants in investigating this matter?

Mr. MILLER. In no way, until he gave us this sheet with the items marked X for us to look into, and he gave that to Mr. Blakey in my presence.

Mr. GRAHAM. And called his attention to the particular items, and asked him to examine them, did he?

Mr. MILLER. Yes; to get his report. Mr. Blakey's report is here.

Mr. GRAHAM. Yes; we have the report, which I assume is the identical report that you refer to; it was given to us in Washington.

Mr. MILLER. Yes; you see, Mr. Blakey's report is not a real report, because he says these items can be verified, or not be verified.

Mr. GRAHAM. I assume when he says "verified" he means that if he had the figures he could tell?

Mr. MILLER. Yes; can tell whether it is approximately correct.

Mr. GRAHAM. But he does not mean that it is correct?

Mr. MILLER. No, sir.

Mr. GRAHAM. That is not the meaning?

Mr. MILLER. No, sir; absolutely not.

Mr. GRAHAM. Did you look into this matter of unabsorbed administrative expenses any yourself?

Mr. MILLER. I did not; no, sir.

Mr. GRAHAM. Do you know, as a matter of fact, whether the administrative expenses of this company were vouchered and paid theretofore?

Mr. MILLER. The administrative expenses are figured up in Butler, the head office of the company, and we satisfied the company they were getting all that was coming to them on that.

Mr. GRAHAM. You went down there, did you, with Mr. Blakey, did you?

Mr. MILLER. Mr. Blakey went down there two or three times together with the officials of the Standard Steel Car Co. I believe J. B. Nicholson was working on that too. But the administrative expense was paid. Here is the sheet. [Referring to paper.]

Mr. GRAHAM. When was that last visit?

Mr. MILLER. It was some time ago; I should say five or six months ago, that the administrative expense was agreed upon between our men and the Standard Steel Car Co.

Mr. GRAHAM. It was after the work was finished out there, was it?

Mr. MILLER. Yes; that is, after the armistice was signed.

Mr. GRAHAM. Do you know whether the work was finished on the carriages or not?

Mr. MILLER. I could not tell you whether that date coincides with that date or not.

Mr. GRAHAM. Do you know when that work was finished?

Mr. MILLER. When the last of the 200 carriages were finished?

Mr. GRAHAM. Yes.

Mr. MILLER. I could not give you the actual date on that. I can find out.

Mr. GRAHAM. When Mr. Blakey returned was a voucher drawn for this two hundred and some odd thousands of dollars for this?

Mr. MILLER. You mean, did we pay that?

Mr. GRAHAM. Yes.

Mr. MILLER. We paid during the life of the contract. According to the agreement with the Standard Steel Car Co. they would affect this amount; I haven't got the exact figures.

Mr. GRAHAM. That agreement, I assume, was never reduced to writing?

Mr. MILLER. It was not reduced to writing; we saw them do that in all plants. We get together with the auditor and agree on the administrative and overhead expense, and agree on our part of it, and pay it with a voucher.

Mr. GRAHAM. Did you ever have any correspondence with them about this particular voucher?

Mr. MILLER. Not personally.

Mr. GRAHAM. Do you know whether there is any in the files?

Mr. MILLER. I think we can find copies of letters written by Mr. Blakey to their Mr. Fletcher, their auditor.

Mr. GRAHAM. An acknowledgment of the receipt of the voucher?

Mr. MILLER. No; there would not be any receipt for the voucher. Our representatives practically run that.

Mr. GRAHAM. If you can find any letter written by Mr. Blakey to the Standard Steel Car Co., I wish you would give it to the reporter for the record.

Mr. MILLER. All right.

(No letters or data were furnished to the reporter in response to this request for the record.)

Mr. GRAHAM. Is it your idea, then, that that was paid?

Mr. MILLER. It is my idea that it was paid.

Mr. GRAHAM. And it is your idea, then, that this item of \$261,251.45 is not justified?

Mr. MILLER. Not in my estimation.

Mr. GRAHAM. Now, the next item:

Ten per cent on worked direct material, labor and overhead, \$656,394.05.

That particular item, I assume, is based entirely on work that was done on materials, is it not, Mr. Miller, as the 10 per cent that was supposed to be allowed them for profit on this work that had been done and not accepted?

Mr. MILLER. Well, the 10 per cent on all claims—10 per cent is allowed on work in process and 5 per cent on the work outside.

Mr. GRAHAM. In other words, they were given \$4,000 a carriage for the ones they had completed, or \$800,000, and in addition the board thought it right to allow them 10 per cent on their partially worked materials?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Now, do you know whether anybody ever checked that amount to see whether that was work on \$6,563,940 worth of materials?

Mr. MILLER. No, sir.

Mr. GRAHAM. Well, do you know how that item was arrived at? Now, if that is 10 per cent, of course the original amount is the amount that I have stated—six and a half million dollars, approximately. Now, who knows whether that amount of work had been done on materials?

Mr. MILLER. I don't know.

Mr. GRAHAM. I am told—I think Mr. Blakey testified to that—that that amount should have been approximately \$250,000; that, as a matter of fact, the worked materials were a very great deal less than the amount that is stated here. Now, do you know whether Mr. Blakey ever checked that?

Mr. MILLER. He has never checked it. He states here that it can be checked to see whether it is correct. And that figure would be on a basis of \$6,000,000.

Mr. GRAHAM. Did Col. Hughes ask for his opinion on that matter?

Mr. MILLER. Yes; he gave his opinion right here in the fourth paragraph of his letter.

Mr. JEFFERIS. That is, Mr. Blakey does?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. You can not give us any light on that, then?

Mr. MILLER. Absolutely not, unless there is an audit made of it.

Mr. GRAHAM. And so far as you know there has been none?

Mr. MILLER. No, sir; not to my knowledge.

Mr. GRAHAM. Take the next item, "Unabsorbed cost of preparation of plant, \$60,000." Has there been any unabsorbed cost or preparation of the plant?

Mr. MILLER. May I ask what item that is?

Mr. GRAHAM. Item D.

Mr. MILLER. That is a round figure; that has never been audited, to my knowledge.

Mr. GRAHAM. Was not the cost for the preparation of the plant paid for by the Government from time to time?

Mr. MILLER. Yes; on the Ordnance side we paid for everything.

Mr. GRAHAM. Item E is, "Additional cost of passenger-car work done in freight shop, \$467,184.51."

What do you have to say about that, Mr. Miller, as to the correctness of that claim?

Mr. MILLER. That amount has never been audited.

Mr. GRAHAM. Nobody knows, so far as you can tell, whether that is a proper item or not?

Mr. MILLER. No, sir.

Mr. GRAHAM. Well, is it a proper item, anyhow, as an accountant, now, to charge for the additional cost of passenger-car work done in their freight shop?

Mr. MILLER. Why, if it is an amount that they can show that they were damaged, I should say it would be allowed, to a certain extent; if it is a damage proposition. Whether they were penalized to the amount of \$467,000 is a matter that can not be cleared up until an audit is made to show whether the figures are correct or incorrect.

Mr. GRAHAM. How could this claim have been properly allowed, Mr. Miller, without an audit, anyhow, and arrive at any correctness of conclusion?

Mr. MILLER. I don't know.

Mr. GRAHAM. Do you think it was possible to do so?

Mr. MILLER. I do not; no, sir.

Mr. GRAHAM. Now, here is another item, "Expense of transferring car machinery to freight shop, \$17,140.77."

Mr. GARRETT. Excuse me, Mr. Chairman, I did not exactly understand Mr. Miller's response to your other question. Do you mean, Mr. Miller, to say, "I do not know, sir," or do you mean to say, "I do not; no, sir"?

Mr. MILLER. I mean to say it should be audited.

Mr. GRAHAM. "Expense of transferring car machinery to freight shop, \$17,140.77." Had that already been paid?

Mr. MILLER. No; that was an amount they stood to pay for removing the machinery to the other side. In my judgment that is a correct charge.

Mr. GRAHAM. The next item is, "Unabsorbed operating losses to June 30, 1919, on hotel dormitory and dormitory dining room, \$40,926.99." Was that ever audited?

Mr. MILLER. It was never audited, but I was asked in regard to that by Col. Hughes; in regard to the dormitory and the losses on the Lyndora Hotel, and as long as the Ordnance men were living there, and also the Standard Steel Car Co. men, I suggested that we divide the losses between the Standard Steel Car Co. and the Government; it was in my judgment a legitimate charge. It is a welfare proposition. There is no hotel there. As to the dormitory, that is within the plant; that is for the officers of the Standard Steel Car Co. I did not pass any opinion on that, because I was not asked.

Mr. GRAHAM. Do you have any opinion about it now?

Mr. MILLER. I would say it was a commercial proposition pure and simple.

Mr. GRAHAM. Well, do you know whether this company ever asked any authority from the Government to build this hotel?

Mr. MILLER. I can not tell you that. That would be a matter for the production officer to answer.

Mr. GRAHAM. Is there anyone here who does know about it?

Mr. MILLER. I think Maj. Bayliss or Mr. Vail, either one could tell.

Mr. GRAHAM. I have been told that the request was made of the Government to build this hotel and they refused to do so.

Mr. MILLER. I don't know.

Mr. GRAHAM. You don't know anything about that?

Mr. MILLER. No, sir.

Mr. GRAHAM. Do you know how expensive a hotel it was?

Mr. MILLER. I should think it has 150 rooms, more or less.

Mr. GRAHAM. Do you know how much it cost?

Mr. MILLER. I can not tell you the exact cost. I think they figured about \$150,000; whether it cost that I do not know.

Mr. GRAHAM. Is the company still using it?

Mr. MILLER. The company are running it, and the employees of the Standard Steel Car Co. are using it; they have been using it until recently; whether they have moved—

Mr. GRAHAM (interposing). How soon after they started to build these carriages did they start to use this hotel for ordinary commercial purposes?

Mr. MILLER. So far as using it in that way I don't know.

Mr. GRAHAM. When did they start to use their plant, after building these carriages, for ordinary commercial purposes?

Mr. MILLER. So far as using their plant for ordinary commercial purposes I don't think they have used it at all. There is a lot of material there to clean up, to start to manufacture on the commercial side. The ordnance side of it, that was cluttered with big machinery.

Mr. GRAHAM. What is being done with that?

Mr. MILLER. I could not tell you. I heard it is being shipped.

Mr. GRAHAM. The company took that over, did it?

Mr. MILLER. The machinery?

Mr. GRAHAM. Yes.

• Mr. MILLER. Yes.

Mr. GRAHAM. I wish you would summarize for us about what this proposition is costing the Government altogether; tell us how much money we have put in the thing, and about the salvage values, and so on.

Mr. MILLER. The Government has spent \$17,282,428.88.

Mr. GRAHAM. Does that include the final settlement?

Mr. MILLER. No, sir; together with the final award.

Mr. GRAHAM. The final award is \$3,000,000?

Mr. MILLER. \$3,000,000; \$800,000 is deducted from that on account of the profit, and \$900,000 on account of the salvage offer of the Standard Steel Car Co., \$300,000 of it covers direct and indirect materials, and \$600,000 of it buildings and machinery.

Mr. GRAHAM. Now, then, summarize that and tell us how much money the Government has laid out there, including the award; how much they have paid to the Standard Steel Car Co. net.

Mr. MILLER. Now, you want that salvage taken off, do you?

Mr. GRAHAM. Yes.

Mr. MILLER. \$18,582,428.88.

Mr. GRAHAM. Yes.

Mr. MILLER. Net amount of award being \$3,800,000.

Mr. GRAHAM. Now, in addition to that the company has taken over about how much salvage material?

Mr. MILLER. Direct materials, \$2,631,330.73 shipped to Watertown, approximately 1 per cent; Watertown requisitioned some of it.

Mr. GRAHAM. Did they pay for that?

Mr. MILLER. Watertown? Yes, sir; that is a Government arsenal.

Mr. GRAHAM. So that it is material—

Mr. MILLER. Yes; whether they paid for it or not, it is a transfer. Increased facilities shipped to Watertown, about 20 per cent.

Mr. GRAHAM. Now, does the Government pay the company for this, too?

Mr. MILLER. This stuff belongs to us, you see; we reserved the right to ship a certain amount of this stuff from the Standard Steel Car Co. to the arsenals, and that was to be taken off, and they could have the rest.

Mr. GRAHAM. What I want to know is the amount of direct materials and special facilities. Here is what I am trying to get at, Mr. Miller, to make it plain to you. They received eighteen and a half million dollars, approximately, in property; they got certain direct materials and they got certain special facilities.

Mr. MILLER. Yes, sir.

Mr. GRAHAM. And the Government got 200 gun carriages. Now, we want to know about the value of the direct materials, and the special facilities they got.

Mr. MILLER. The total amount spent for special facilities is \$3,734,141.34. Estimate about 20 per cent of that amount was shipped to the arsenals.

Mr. GRAHAM. That would leave net how much, Mr. Miller?

Mr. MILLER. About \$3,734,141.34; 20 per cent of that has been shipped to the arsenals—that is fixed amounts in the plant. And the balance of it is the amount that we really spent, if we get the other back. I think that the Standard Steel Car Co. gave us \$600,000.

Mr. GRAHAM. Now, that takes your fixed items like buildings and equipment?

Mr. MILLER. Direct and indirect materials \$7,781,800.58; 65 per cent of that, and then apply \$300,000 against that.

Mr. GRAHAM. Now, I have computed this hastily here; as I understand now, the increased facilities were approximately \$3,734,000, after deducting 20 per cent of the amount that the Government spent for these increased facilities, \$2,987,200; the materials, direct and indirect, has amounted to \$7,781,800, and the company retained it at 65 per cent, an approximate value of \$5,558,000, and some odd dollars and 38 cents?

Mr. MILLER. About that.

Mr. GRAHAM. Then am I right in stating that the company received \$18,582,428.88 in cash, increased facilities that cost the Government \$2,987,200, and materials, direct and indirect, \$5,558,000?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. And what the Government got was 200 gun carriages?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Now, were you at the meeting at Hammond, Mr. Miller?

Mr. MILLER. No, sir.

Mr. GRAHAM. Were you at the meeting of the claims board in Chicago the next day?

Mr. MILLER. No, sir.

Mr. GRAHAM. Do you know anything about the salvage offer that was made by Briggs & Turvias to the ordnance board?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. How did you become informed about that?

Mr. MILLER. Why, the salvage offer came into Mr. Palmer, the chief officer there on the staff, and I knew about it at the time.

Mr. GRAHAM. How long before the meeting at Hammond was that offer refused?

Mr. MILLER. I could not tell you the exact date of the letter.

Mr. GRAHAM. What was done with the letter; do you know?

Mr. MILLER. I don't know what was done with the letter. Mr. Palmer usually keeps those bids in his file, and he probably reported the matter to the people interested, the claims board that was investigating the claim.

Mr. GRAHAM. You say the letter came to Mr. Palmer?

Mr. MILLER. The letter came to Mr. Palmer.

Mr. GRAHAM. Do you know Lieut. Reagan?

Mr. MILLER. I do.

Mr. GRAHAM. Do you know whether he brought the letter personally?

Mr. MILLER. I could not say whether he brought the letter. He used to be with the Government, and he now works for Briggs & Turvias. I do not know whether it was sent through the mail or whether he brought it up.

Mr. GRAHAM. Do you know what was done with it; do you know whether it was called to the attention of the district claims board?

Mr. MILLER. Yes; it was called to their attention; I would not say to the attention of the board. They did not function. But it was called to the attention of—

Mr. GRAHAM (interposing). Was that called to the attention of Col. Hughes?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Was it called to his attention before the meeting of this board? As a matter of fact, that was not a meeting of any board, was it?

Mr. MILLER. No, sir.

Mr. GRAHAM. Three men met here, representing different boards, and pretended to make an award?

Mr. MILLER. Those 3 men met here together with some 10 others from Washington that were brought on.

Mr. GRAHAM. The regular formality is to go first to the district board and then to the Ordnance Bureau board in Washington, and then, if necessary, to the War Department Claims Board?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. But that was not done?

Mr. MILLER. No, sir; not to my knowledge.

Mr. GRAHAM. Do you know that this matter was called to the attention of Mr. Hughes?

Mr. MILLER. Yes.

Mr. GRAHAM. How do you know that it was called to the attention of Col. Hughes?

Mr. MILLER. I read the letter; I was on the staff.

Mr. GRAHAM. Did you ever talk with Col. Hughes about it?

Mr. MILLER. No, sir.

Mr. GRAHAM. Do you know whether Mr. Palmer did? What I am trying to find out is to know how you know that Col. Hughes had this letter.

Mr. MILLER. Mr. Palmer told me that he had reported the matter to Col. Hughes.

Mr. GRAHAM. Mr. Palmer is here, isn't he?

Mr. MILLER. No, sir.

Mr. GRAHAM. Do you know how much that offer of 15 per cent that was made by Briggs & Turvias would have amounted to?

Mr. MILLER. About \$900,000—\$800,000 or \$900,000.

Mr. GRAHAM. How much did the Standard Steel Car Co. pay?

Mr. MILLER. \$300,000.

Mr. GRAHAM. As a matter of fact, the Briggs & Turvias offer also included the proposition that they would pay the storage and do the handling themselves?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Do you know how the board that met on that thing happened to accept the offer of the Standard Steel Car Co., in view of

that proposition? Do you know whether that proposition was ever brought by Col. Hughes to the attention of these gentlemen who met here?

Mr. MILLER. I do not know that, because I was not at the meeting.

Mr. GRAHAM. All you know about it is hearsay?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. Well, do you know anything, Mr. Miller, about the issuing of a voucher for that amount? After these gentlemen met and signed this paper, do you know how this voucher was issued and how soon?

Mr. MILLER. I do not; I never had anything to do with the voucher whatever.

Mr. GRAHAM. Do you know anything about Mr. Corey and Col. Hughes going to Washington about the voucher?

Mr. MILLER. I don't know; I suppose they did. Col. Hughes went out of town about that time. I suppose they went to Washington.

Mr. GRAHAM. You know Mr. Corey, do you?

Mr. MILLER. I do; yes, sir.

Mr. GRAHAM. Did you learn in any way anything about how soon that check was cashed?

Mr. MILLER. I was told in Washington that it was cashed within two days from the time that the award was made. I took particular pains to find out whether these checks had been paid, from the simple fact of knowing whether it was supposed to be the last payment on the contract, whether we would hold up those vouchers coming through every day.

Mr. GRAHAM. When did you first find out that this award would permit the payment of those vouchers?

Mr. MILLER. I found it out last week from the intelligence department office.

Mr. GRAHAM. The military intelligence?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. And you had not know it up until that time?

Mr. MILLER. No, sir; the first I saw it was in Mr. Hanna's office.

Mr. GRAHAM. Do you know how many of those vouchers are to come yet?

Mr. MILLER. I should say, in round figures, \$25,000; it is \$369,387.

Mr. GRAHAM. That has not been paid?

Mr. MILLER. No, sir.

Mr. GRAHAM. That is all included in this \$18,000,000 that you gave me?

Mr. MILLER. Yes; that is all included; the award takes in all of that.

Mr. GRAHAM. Now, not having been at either of those meetings, you can not tell, of course, anything that went on at those times. I was going to ask you some questions about Col. Hughes's attitude, but I assume you don't know.

Mr. MILLER. No, sir.

Mr. GRAHAM. Did you ever talk to Col. Hughes about that offer for salvage?

Mr. MILLER. I never did; no, sir.

Mr. GRAHAM. What has been his attitude about this matter, Mr. Miller; about this settlement?

Mr. MILLER. In regard to the claim?

Mr. GRAHAM. Yes.

Mr. MILLER. I have not talked with Col. Hughes relative to the claim since this matter has come up at all.

Mr. GRAHAM. Well, do you know whether he has been in an apparent hurry about the thing, and whether there has been any apparent haste here about the Chicago office about the disposition of this claim?

Mr. MILLER. No; I could not tell you that. He never said anything to me about being in a hurry to rush the claim through, of course.

Mr. GRAHAM. Did anybody else?

Mr. MILLER. No; except the Standard Steel Car Co. will go after a thing, and go after it hard. They are a big concern, and have a good personnel, and when they attend to business they attend to it very hard. Mr. Cory, I believe, had charge of this claim, and he naturally was anxious to get his money as quick as he could, the same as any other contract.

Mr. GRAHAM. Which Cory is that; his initials?

Mr. MILLER. W. G. Cory.

Mr. GRAHAM. Do you know whether he is the Mr. Cory who is also connected with the United States Steel Corporation?

Mr. MILLER. Not the same man, I think.

Mr. GRAHAM. Do you want to examine Mr. Miller, Mr. Jefferis?

Mr. JEFFERIS. Mr. Miller, do I understand you to say the \$18,582,428.88 is the total cost of everything to the Government?

Mr. MILLER. Yes; \$17,000,000 and something we paid them in money, and they then gave them \$1,200,000 more as net award on the claim.

Mr. JEFFERIS. Didn't he also give them \$800,000 as profits in addition to that?

Mr. MILLER. Yes; the claim for three million—yes; \$800,000; you are right, that should not be taken off. That should be added on. It is all right the way the figures stand.

Mr. JEFFERIS. As I understand it, their claim was allowed to the extent of \$1,300,000?

Mr. MILLER. Yes, sir.

Mr. JEFFERIS. And then that we paid in addition to that, a voucher—

Mr. MILLER. (interposing). A voucher for \$800,000.

Mr. JEFFERIS. A voucher for \$800,000?

Mr. MILLER. Yes; it was figured in the seventeen million. It went through in voucher form. It is the last item on this sheet [indicating paper]; so the figure is correct, \$18,582,428.88.

Mr. JEFFERIS. Now, that was the total cost of everything in this contract, including these other sums that are to be paid for subcontracts?

Mr. MILLER. Yes, sir; you see, the reason we say seventeen million here, those vouchers in process, we figure them paid the minute we pass them. Now, if the finance manager does not pay them in Washington we have no way of knowing anything about it. He might hold them up. He held up the \$800,000 for some time. When we send them on to the finance manager our responsibility ends.

Mr. JEFFERIS. Now, I notice in this statement that you have here, of October 16, 1919, that there was an administrative and general expense paid by the Washington office for the establishment of the Chicago office, to the amount of \$100,091.72.

Mr. MILLER. Yes, sir.

Mr. JEFFERIS. And then I notice that there was paid out by the Chicago office, as administrative and general expense, \$478,338.76?

Mr. MILLER. Yes, sir.

Mr. JEFFERIS. Then, if there was allowed the \$261,251.45 mentioned in their claim as unabsorbed administrative expense, that would be another item of administrative expense?

Mr. MILLER. Yes, sir.

Mr. JEFFERIS. That would figure up—that would total up about \$839,731.93 included in administrative expense. Now, what is in that expense?

Mr. MILLER. Administrative expense of the Standard Steel Car Co. figured on all their plants; it is the general expense of president's salary, and all those salaries that you can not get in under another charge; general administrative expense, that you can not get in under a straight or direct charge.

Mr. JEFFERIS. I know; but the Government did not pay all the expenses of all the factories?

Mr. MILLER. No; the general expense was more than a million. I can give you a copy of this statement here [indicating paper].

Mr. JEFFERIS. Let me see that. [The witness hands paper to Mr. Jefferis.]

Do you know what salaries are paid by this concern; officers' salaries?

Mr. MILLER. Yes; we have a list of those in all cases—in all cases of cost plus contract, when we pass on administrative expenses, the company is required to give us the salaries of their officials.

Mr. JEFFERIS. What were the salaries, if you can tell us?

Mr. MILLER. They never furnished us a list of their officers' salaries.

Mr. JEFFERIS. Then, as a matter of fact, the exact administrative expenses of the Standard Steel Car Co. were never arrived at, were they?

Mr. MILLER. Well, I believe that some of the administrative salaries that they did not want us to see, were cut out of the administrative expense; Mr. Blakey told me that; that they would cut them out rather than show it to us, so it was of advantage to the Government. But I had better look that item up thoroughly and tell you absolutely.

Mr. JEFFERIS. I would like to have a little light on it.

Mr. MILLER. I will get that this afternoon and give you the exact information.

(The information here requested was afterwards fully covered by Mr. Miller in subsequent testimony.)

Mr. JEFFERIS. Now, as I understand it, in this settlement, then, the direct and indirect material that was retained by the company at a value of \$300,000, as I remember it, really had cost the Government about \$5,058,000?

Mr. MILLER. Yes, sir; between \$5,000,000 and \$6,000,000.

Mr. JEFFERIS. And the special facilities that had cost the Government about \$2,987,000 were retained by the company in this settlement at a value of about \$600,000?

Mr. MILLER. Yes, sir.

Mr. JEFFERIS. And those special facilities consisted of what?

Mr. MILLER. The buildings, the company's tools, and the fixed machines—lathes, presses of all kinds—everything that goes to make a factory so it is ready to operate.

Mr. JEFFERIS. And did that include this hotel also?

Mr. MILLER. Oh, no; that hotel was built by the Standard Steel Car Co. with their own money. We did not build the hotel.

Mr. JEFFERIS. The only part that is charged to the Government in this settlement for award—

Mr. MILLER (interposing). In the claim?

Mr. JEFFERIS. In the claim, is the operating loss?

Mr. MILLER. Yes, sir; but that figure of \$40,000 or \$60,000, or whatever it is, really takes in more than the operating loss; but there is a detail there, I guess, on that that Col. Hughes can give you. The loss from the hotel, as I remember, was \$20,000.

Mr. JEFFERIS. Could you tell us, Mr. Miller, who would have that information as to how many of those carriages were completed, if any of them, at the time of the signing of the armistice?

Mr. MILLER. I could not say that. The production officers can tell you all about that.

Mr. JEFFERIS. Could you tell from your accounts how much labor or the cost of labor that had been expended up to the time of the signing of the armistice?

Mr. MILLER. I could by getting the figures, yes, up at the office, because I could give it up to that date what money had been expended.

Mr. JEFFERIS. Would that take you long, Mr. Miller?

Mr. MILLER. I could get it this afternoon for you.

Mr. JEFFERIS. I wish you would make a memorandum of that.

Mr. MILLER. I would have to go to the plant for that; we haven't those here.

Mr. JEFFERIS. The cost that had been spent for labor and material up to the time of the armistice.

Mr. MILLER. You just refer to the production, do you?

Mr. JEFFERIS. How much in production; but you might make another heading of buildings, also. And then, if it is possible to ascertain, I would like to have the amount that had really been expended for labor and material, for production up to March 2, 1919, and likewise as to buildings, if there is any.

Mr. MILLER. Yes, sir.

(The information here asked for was afterwards given by Mr. Miller in subsequent testimony.)

Mr. JEFFERIS. In this factory overhead expense, what was included in that, Mr. Miller?

Mr. MILLER. The factory overhead expense is the overhead expense of the factory in production. It did not cover the president of the company, or secretary of the company in Butler or New York. It is the factory overhead expense. The foreman and people like that; the general superintendents, and engineering force.

Mr. JEFFERIS. It did not include labor?

Mr. MILLER. It included salaries for those men, but in the shape—direct labor is money spent on the manufacture of the article. Now, there will be people not really working on the article—not direct labor; it is indirect.

Mr. JEFFERIS. Then I notice here you have an item of direct labor as paid out by the Chicago office on this business of \$1,119,369.17. I take it that was for labor?

Mr. MILLER. It must be on the unit, or it is not direct labor.

Mr. JEFFERIS. And then what I take to be indirect labor, or factory overhead expense, \$2,157,082.73?

Mr. MILLER. That is the general superintendents and the foremen, and the sweepers that sweep the floor, or oil that runs the machines; any indirect stuff.

Mr. JEFFERIS. What is this item on this statement of October 16, 1919, special purchases of \$2,275,073.69?

Mr. MILLER. Special purchases, such as machines and buildings and equipment.

Mr. JEFFERIS. The other item at the head there, under the head of direct materials, \$7,133,830.08?

Mr. MILLER. That is raw material that goes into the product.

Mr. JEFFERIS. Did you have charge of preparing this exhibit that you have furnished here?

Mr. MILLER. Of October 16, 1919?

Mr. JEFFERIS. Of October 16, 1919.

Mr. MILLER. No, sir; Mr. Grafke, the present accountant in charge under my direction prepared the statement.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, have you any questions?

Mr. GARRETT. I was called from the room for a moment while you were testifying about a certain item. I do not know just what ground was covered; I do not want to duplicate the hearing, but it was with reference to the administrative expense matter. Mr. Blakey testified before the committee, and it is also in his report, and you have testified, that he went out to the different plants of this Standard Steel Car Co. and determined the overhead, or administrative, charges.

Mr. MILLER. Yes, sir.

Mr. GARRETT. And there was an apportionment made among the different plants?

Mr. MILLER. Yes, sir.

Mr. GARRETT. And there was apportioned to the Hammond plant—

Mr. MILLER (interposing). \$100,091.72.

Mr. GARRETT. And that was paid?

Mr. MILLER. Yes, sir.

Mr. GARRETT. That is your understanding?

Mr. MILLER. Yes, sir.

Mr. GARRETT. Do you also understand that that is included in the \$2,157,000 and some dollars?

Mr. MILLER. As unabsorbed overhead?

Mr. GARRETT. Yes, sir.

Mr. MILLER. Yes.

Mr. GARRETT. So that had been paid twice?

Mr. MILLER. It has been paid twice.

Mr. GARRETT. Now, the word "verified" as used in Mr. Blakey's report to the claims board, I want to get definite in the record just what that means, from the cost accountant's standpoint; has it a technical meaning of any kind?

Mr. MILLER. The term as used here—I would not have used that language. I would not have said that we could audit and verify as to correctness. Now, either the figure is right or wrong, and the result of our audit shows whether it is right or wrong. It can be checked.

Mr. GARRETT. The use of that word there by Mr. Blakey did not mean it was correct?

Mr. MILLER. Oh, no.

Mr. GARRETT. And was used rather in the sense that it could be investigated and determined?

Mr. MILLER. Yes, sir.

Mr. GARRETT. That is all I think of, Mr. Chairman, now.

Mr. GRAHAM. My attention has been called by Mr. Jefferis to the fact that a copy of the award to which I referred is already in the record.

Mr. GARRETT. I would like to ask another question, Mr. Chairman.

Of course, Mr. Miller, you had nothing to do with the negotiation of this contract?

Mr. MILLER. No, sir.

Mr. JEFFERIS. Do you know who it was that assigned Col. Hughes to the settlement of this contract, or how it came that it was assigned to him?

Mr. MILLER. I don't know how he got the assignment to settle the contract, Mr. Jefferis.

Mr. JEFFERIS. You don't know anything regarding that, one way or the other?

Mr. MILLER. I was not there when he was given the contract. I knew that he had it; somebody must have given it to him, but I don't know who gave it to him.

Mr. GARRETT. Are your offices in the same place as the claims board?

Mr. MILLER. Yes, sir.

Mr. GARRETT. Did there come under your observation about the 29th of September, a telegram sent from the Ordnance Bureau in Washington, to the claims board here, making an inquiry about the Blakey report; do you remember to have seen such a telegram?

Mr. MILLER. Making an inquiry about the report?

Mr. GARRETT. Yes. Let me find the telegram, to be more specific. A telegram was sent, which is in our records, from the Ordnance Bureau in Washington, signed "Ordnance Bureau," or something like that, not signed by any individual, stating in substance that it was the understanding of the Washington committee that the various accounts have been verified—I will just hand you the telegram [handing paper to Mr. Miller]. The telegram there under date of September 29, Washington, D. C., and which has heretofore appeared in our record; did that telegram come under your observation?

Mr. MILLER. I never saw the telegram.

Mr. GARRETT. Did you hear anything of it?

Mr. MILLER. The only thing that I have heard in regard to this is that Col. Hughes stated to the board upstairs—Mr. Blakey came in about the start, or the beginning, and told me he wanted to go up, that the members of this committee were up there; Col. Hughes stated that he had audited the claim, which was not a fact, referring to this letter which he had made on the claim, which is not an audit. He went to the claims board and called Col. McFarland out and stated that the thing was not audited, and he made exception to the statement that it was. Col. Hughes told me about that after Blakey came down from upstairs.

Mr. GARRETT. That of course, was how they were here to settle the claim?

Mr. MILLER. Yes, sir.

Mr. GARRETT. But this telegram was sent after the committee returned to Washington?

Mr. MILLER. I have never seen it.

Mr. GARRETT. That telegram never came to your attention, or no questions were asked you about it before the answer was sent?

Mr. MILLER. That is new to me. I did not know they had accused him.

Mr. GRAHAM. Now, Mr. Miller, I imagine we will want to ask you some questions later about the Otis Elevator matter.

Mr. MILLER. I went over what I thought at the time was all of the items, but I omitted two that are found in the Chicago Claims Board award. For instance, item I, under section VI, "Returning plant to prewar conditions, \$90,000." That is an item that is allowed for contractors under the contract. The contract specifically and distinctly states that the Government will put the plant in the same condition it was when they took it.

Mr. GRAHAM. Was that audited?

Mr. MILLER. No, sir; it is a wrong figure.

Mr. GRAHAM. Do you know how it was arrived at?

Mr. MILLER. I was thinking Mr. Blakey made a comment on that in his report here.

Mr. GRAHAM. I think, perhaps, he did.

Mr. MILLER. The claim was for \$150,000 returning to former conditions. It is marked with a check instead of a cross, so Mr. Blakey did not make any comment on it.

Mr. GRAHAM. It was not audited?

Mr. MILLER. Oh, no; that is a wrong figure.

Mr. GRAHAM. The next item, J, "Plant occupancy since suspension, \$100,000," what do you know about that item?

Mr. MILLER. An estimated amount.

Mr. GRAHAM. Never audited, to your knowledge?

Mr. MILLER. No, sir.

Mr. GRAHAM. Do you know whether it is properly allowable?

Mr. MILLER. Why, we have been in the habit of allowing for occupancy. We reimburse him; we are keeping him from going into business in a commercial way. It seems to me it is a proper charge, if the amount is correct.

Mr. GRAHAM. Now, you don't know?

Mr. MILLER. There is no way for me to tell.

Mr. GRAHAM. Now, finally, "amounts paid on States buildings." What does that mean?

Mr. MILLER. I don't know that.

Mr. GRAHAM. That must be a typographical error or some kind of a mistake.

Mr. MILLER (reading):

Sums expended on United States buildings, \$85,000.

That is the excess over the amount of the allotment on the special facilities. For instance, if we give these people \$2,000,000 to spend on special facilities, and they use that up, they would naturally apply for some more; but at the time they applied for more it was probably too late on account of the armistice.

Mr. GRAHAM. Was that ever audited?

Mr. MILLER. Not to my knowledge. It can be, if they spent the money, they are entitled to the claim.

Mr. GRAHAM. There is an item here for commitments for materials or services, \$121,585.57; the first item in the claim. What do you know about that item, Mr. Miller?

Mr. MILLER. I do not find that item in the claim here—the revised claim.

Mr. GRAHAM. I presume it is the Standard Electric Co.

Mr. MILLER. It don't say that here—whether it is the Standard Electric Co. or not.

Mr. GRAHAM. What have you got?

Mr. MILLER. I am reading from the award, \$121,000.

Mr. GRAHAM. Did you ever audit that, or have anything to do with the Standard Electric Co., that was subcontractor for some of this work?

Mr. MILLER. Mr. Blakey did.

Mr. GRAHAM. You did not?

Mr. MILLER. No; not personally. We leave that to the accountant in charge.

Mr. GRAHAM. Are there some of the gentlemen here who do know something about that?

Mr. MILLER. So far as the auditing goes, Mr. Grafke is the accountant in charge; he is the man that can tell about that. He is at the office; I have him there subject to call if you want him.

Mr. GRAHAM. The item is in the award \$121,000?

Mr. MILLER. That is about the amount; it does not state so here.

Mr. GRAHAM. You don't know anything about the correctness of it?

Mr. MILLER. I don't know; Mr. Grafke can give you correct information on that.

Mr. GRAHAM. Mr. Miller, did you audit the amounts for labor and materials on that job from time to time?

Mr. MILLER. Not personally.

Mr. GRAHAM. Did you have it done under your supervision?

Mr. MILLER. Under my supervision—yes, sir—by Mr. Blakey and Mr. Grafke and 15 other men; we can not do anything in the office personally, we take their figures.

Mr. GRAHAM. You have no knowledge of the figures; you were acting as supervising accountant?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. And the details we will have to get from Blakey or Grafke?

Mr. MILLER. Yes; he was right on the ground.

Mr. GRAHAM. You never had your attention called to the waste or anything of that kind?

Mr. MILLER. Well, we had trouble out there with the Standard Steel Car Co. mixing up things. More trouble in that plant than any other plant in the district.

Mr. GRAHAM. You have some accountants out there now?

Mr. MILLER. Sixteen men there now.

Mr. GRAHAM. What are they working on?

Mr. MILLER. Production systems; we are getting those things for Gen. Williams; we must get that. The Standard Steel Car Co. have an inclination to cover up their production sheets, and not producing them so that we can get the cost of the work in their processes. If they are ever gotten, it will be by the military intelligence or somebody else, because they won't pay any attention to us.

Mr. GRAHAM. Have you tried to get the cost of production there?

Mr. MILLER. Mr. Grafke tells me he has tried time and again to get it, and they can not get it, and it will take an iron hand to get it.

Mr. GRAHAM. Why were large sums of money gone from time to time by this company; who permitted them to do that without the Government being correctly advised where it was going?

Mr. MILLER. If they spent it for material, and it went into the plant for materials, we have got to reimburse them for all materials on those carriages.

Mr. GRAHAM. Here is the thought in my mind: How do you know it went in there?

Mr. MILLER. We had a Government storekeeper there, and they had to draw the material.

Mr. GRAHAM. How about the labor?

Mr. MILLER. The labor, of course, was done with their own men; the production end; whether a man was there or not, the accounting department would not know. The inspector would have to know.

Mr. GRAHAM. Was there a record kept of that sort of thing?

Mr. MILLER. We use their records, the original records, the time cards. We check the time cards and the amount spent.

Mr. GRAHAM. You keep no records of your own?

Mr. MILLER. We keep records of the classification and things of that kind.

Mr. GRAHAM. The cost of production figures especially you can not get?

Mr. MILLER. The sheets showing the unit costs.

Mr. GRAHAM. You can not get those?

Mr. MILLER. The money spent and segregated into the cost sheets. It is a piece of information we must get, if they paid out expenses at the rate of \$40,000 a carriage.

Mr. GRAHAM. Do you know how much the carriages did cost?

Mr. MILLER. I can guess; I have an estimate.

Mr. GRAHAM. We are informed they cost \$29,000 apiece; what do you say?

Mr. MILLER. I would say \$22,000 to \$25,000. I may be a little low.

Mr. GRAHAM. Was there an estimate in the original purchase order of the cost?

Mr. MILLER. I am not certain; I think there was.

Mr. GRAHAM. And afterwards, when the basis of \$4,000 fixed profit was arrived at, it was on the conclusion that they would cost \$40,000 apiece, was it not?

Mr. MILLER. I do not know whether it was on that conclusion or not. At any rate, the amount was made \$40,000.

Mr. GRAHAM. Do you know whether they were trying to fix a 10 per cent profit on them?

Mr. MILLER. You mean 10 per cent on the cost?

Mr. GRAHAM. Yes.

Mr. MILLER. Most of these contracts read 10 per cent.

Mr. GRAHAM. I know; but in this case were they figuring that as the basis of profit?

Mr. MILLER. I could not tell you in regard to the profit.

Mr. GRAHAM. How do you arrive at your conclusion that they only cost about \$22,000?

Mr. MILLER. Not from any real figures I have, but from people in the plant that are pretty well posted on the cost of that carriage. Mr. Blakey's estimate was \$25,000 at one time, and Mr. Grafke can give you information about that.

Mr. GRAHAM. Let us make a computation: Suppose they cost \$25,000 apiece and they made 200 of them.

Mr. MILLER. Yes.

Mr. GRAHAM. That ought to have cost \$5,000,000. It did cost \$18,000,000 with all those special facilities and materials they got. Where did that all go to?

Mr. MILLER. I don't know. It all went into the construction or material on hand. There is nothing missing so far as I know. We have everything we paid for out there.

Mr. GRAHAM. We got about \$5,000,000 worth of stuff; now, where is the rest of it?

Mr. MILLER. Buildings.

Mr. GRAHAM. Well, they have got them, haven't they?

Mr. MILLER. You mean what the Government got back?

Mr. GRAHAM. Yes.

Mr. MILLER. Oh, well, we haven't got it; they have it; they bought it.

Mr. GRAHAM. Can they use that outfit out there for their business?

Mr. MILLER. They can use the buildings very nicely.

Mr. GRAHAM. Do you know what the taxable value of the Standard Steel Car Co. was when we made this war contract?

Mr. MILLER. I don't know, but I can find it out for you.

Mr. GRAHAM. I wish you would, so we can get it into our hearings; and then find out what it is worth now.

Mr. MILLER. The taxable value of the plant before the contract was \$760,000, I am told.

Mr. GRAHAM. Now, can you ascertain, Mr. Miller, in any way, what the present value of that plant is?

Mr. MILLER. I can; I have a memorandum here.

Mr. GRAHAM. All right, and when you get it we will insert it in the record.

(The information here called for was afterwards given by Mr. Miller in subsequent testimony.)

Mr. JEFFERIS. You spoke of your department having trouble to get information out there. Would you tell us a little about that?

Mr. MILLER. Well, it was my intention—the suggestion was made that as soon as the claim had been settled, that we remove the men from the plant. The suggestion was made by Col. Hughes to our chief in Washington, Maj. Tewksbury; it was made in Washington; and I told Col. Hughes and Col. Arison before the men were removed we wanted to know it; if they wanted the cost of the carriages, they would have to produce the cost sheets. I went to Washington and appeared before Col. Neville and other members of the claims board, and a letter was given to me to give to Col. Hughes that the men must stay on the plant. There were two questions, whether there was an audit on the claim, and the Government would require the cost of the production. The men are out there now, and Mr. Grafke informs me that he can not get the production records, and the information was never completed.

Mr. JEFFERIS. How was it before this claim was settled as to your getting information out there, so far as you have heard?

Mr. MILLER. We have had more or less trouble with the place ever since I have been in the territory; it has been very hard to get anything out of those people. They have been very arbitrary.

Mr. JEFFERIS. In what way?

Mr. MILLER. I think different ways.

Mr. JEFFERIS. Tell us some of them.

Mr. MILLER. They insisted on taking everything to Washington. I told them there was no use to go to Washington; they would back up our information. So I went out on different things that Blakey had, and particularly one time—

Mr. JEFFERIS (interposing). When was that?

Mr. MILLER. Last summer when they had differences to settle. One item was a man who had not been to work for two months and still they had a time card for him. Our men took it up and found it was the practice of the Standard Steel Car Co. to pay a man who had been in the service so long for a year if he was sick, and this man happened to be sick. So I told them we did not want that sort of stuff covered up in the pay roll; that it was a welfare proposition. It was a welfare proposition, and we would not like to pass on what their commercial practice was, but they covered it up in the pay roll. And that is one of the many instances.

Mr. JEFFERIS. Were there other instances in which they covered up things in the pay roll?

Mr. MILLER. I haven't the personal information. Mr. Grafke can give you detailed information on that; but this stuff has come to me in the last year and a half.

Mr. JEFFERIS. Then what information you have got continually during the progress of the work indicates there has been a disposition to cover things up?

Mr. MILLER. There is a lack of cooperation. We have a great many plants in the district, and that is the worst one in the district for lack of cooperation.

Mr. JEFFERIS. With whom did he take these things up, Mr. Grafke, if you know?

Mr. MILLER. I think Mr. Jenks, the manager, and Mr. Vail was there, and the auditor, Mr. Fletcher, and my auditors and Mr. Blakey, and Mr. Grafke and myself.

Mr. JEFFERIS. And when they took these things to Washington, who did they take it up with?

Mr. MILLER. My chief, Maj. Tewksbury, and everyone they could.

Mr. JEFFERIS. Do you know whether they went to anybody else?

Mr. MILLER. They took that wherever they could, but the only thing that affected me was my chief; taking things over my head. We have taken the stand with the American Steel Car Co. that regardless of anybody's O. K. we would not pass anything that was not in the contract. They could put it in the claim if they wanted to, but we would not pass it on anybody's O. K. if it was not in the contract.

Mr. JEFFERIS. Then really this Standard Steel Car Co. was rather obstreperous all the way through?

Mr. MILLER. Absolutely.

Mr. JEFFERIS. They have not been open and fair with your accounting division, as you view it?

Mr. MILLER. We do not feel as though they have been; no, sir.

Mr. GARRETT. Mr. Miller, would you object to giving this committee your opinion as to the amounts in these several items of this award that ought not to be there; your opinion, based upon your knowledge of the plant and of the business and upon your knowledge, and so forth? Now, I mean independent of this salvage proposition; that is, the items that are in the award independent of that?

Mr. MILLER. It is a pretty hard question to answer, taking the whole thing.

Mr. GARRETT. If you would like to do so, you can reserve your answer and take it up when you get on the stand again.

Mr. MILLER. Yes; I would prefer to do that.

(And thereupon, at 1 p. m., the committee stood on recess until 2 o'clock.)

AFTER RECESS.

The committee resumed the hearing at 2.30 p. m., pursuant to recess.

TESTIMONY OF JESSE A. VAIL, CHIEF PRODUCTION OFFICER OF THE ORDNANCE DEPARTMENT, STANDARD STEEL CAR CO., HAMMOND, IND.

(The witness was sworn by Mr. Graham.)

Mr. GRAHAM. Give the reporter your full name.

Mr. VAIL. Jesse A. Vail.

Mr. GRAHAM. Where is your home, Mr. Vail?

Mr. VAIL. Residence, 1001 Sheridan Road, Evanston.

Mr. GRAHAM. What is your profession?

Mr. VAIL. Engineer, mechanical engineer.

Mr. GRAHAM. Are you in the employ of the Government?

Mr. VAIL. I am until the 1st of November.

Mr. GRAHAM. How long have you been working for the Government?

Mr. VAIL. For the Ordnance Department since the 17th of June, 1918.

Mr. GRAHAM. In what capacity?

Mr. VAIL. From the 17th of June until the 11th of September as manufacturing expert, and after the 11th of September, 1918, I have been chief production officer of the Ordnance Department, Standard Steel Car Co., Hammond.

Mr. GRAHAM. And, as chief production officer, you have had charge of what particular work?

Mr. VAIL. The approving of purchases, as to the price, approving of employment, and general charge of the production from the shop.

Mr. GRAHAM. That work began when, did you say?

Mr. VAIL. The 11th of September, 1918.

Mr. GRAHAM. How far along were they with the work when you got there?

Mr. VAIL. Very little.

Mr. GRAHAM. Before that time, you had no knowledge of their establishment?

Mr. VAIL. None whatever, until the day I went there.

Mr. GRAHAM. From that time up to the signing of the armistice on the 11th of November, had they made any material progress in their work?

Mr. VAIL. Very marked.

Mr. GRAHAM. How many carriages, if any, had they finished by the time the armistice was signed?

Mr. VAIL. Practically only one—excuse me, Mr. Church is my assistant, and we have always worked together—I think one only.

Mr. JAMES S. CHURCH. The 28th of September.

Mr. VAIL. The 28th of September, we had the others in—

Mr. GRAHAM. How much—how large were those carriages? Tell us something of the size, about.

Mr. VAIL. They are called carriages for 240-millimeter guns.

Mr. GRAHAM. Guns or howitzers?

Mr. VAIL. Howitzers. I think they carried a projectile $9\frac{1}{2}$ inches in diameter, weighing about 360 pounds.

Mr. GRAHAM. How heavy is the carriage itself?

Mr. VAIL. The carriage, such as we made there, our part of it weighed about 36,000 pounds.

Mr. GRAHAM. Was it on a caterpillar tractor?

Mr. VAIL. Not the one you are investigating now. We did, however, make a caterpillar after that, but these are what they call mobile-gun carriages.

Mr. GRAHAM. On wheels?

Mr. VAIL. Wheels to be applied; the wheels are ready—

Mr. GRAHAM. This company did not make the wheels?

Mr. VAIL. This company did not make the wheels.

Mr. GRAHAM. Made everything, so they could be fitted on?

Mr. VAIL. Made the axles; everything ready.

Mr. GRAHAM. Then they bought the recuperators from the Otis Elevator Co., did they not?

Mr. VAIL. They did.

Mr. GRAHAM. What deliveries had been made by the Otis Elevator Co. of recuperators up to the time of the signing of the armistice?

Mr. VAIL. None.

Mr. GRAHAM. Did you remain in that plant and have remained from that time to this?

Mr. VAIL. I did.

Mr. GRAHAM. When were the first recuperators furnished by the Otis Elevator Co.?

Mr. VAIL. November, I think.

Mr. GRAHAM. Latter part of November?

Mr. VAIL. Am I right? Right along in November—latter part of November?

Mr. GRAHAM. After the armistice?

Mr. VAIL. After the armistice.

Mr. GRAHAM. Then how regularly was there a delivery until the recuperators were completed?

Mr. VAIL. They come along in good shape.

Mr. GRAHAM. Did they seem to be good recuperators?

Mr. VAIL. Fine; not a flaw in them.

Mr. GRAHAM. Was there any change in the Government plans after you went there as production expert?

Mr. VAIL. Very much; many changes, numerous changes.

Mr. GRAHAM. Where did they come from?

Mr. VAIL. The changes?

Mr. GRAHAM. Yes.

Mr. VAIL. Mostly from the engineering department, Watertown Arsenal; many of them suggested by Mr. Church, who had charge of the engineering.

Mr. GRAHAM. Well, were they things that occurred to Mr. Church to be necessary in order to make successful carriages?

Mr. VAIL. Entirely; entirely.

Mr. GRAHAM. And had they been indicated to him by anybody in the Ordnance Department?

Mr. VAIL. He probably consulted with many people in the Ordnance Department.

Mr. GRAHAM. He can tell about that?

Mr. VAIL. He can tell about about that, of course.

Mr. GRAHAM. Do you know of any changes that were made that you can detail to the committee that were of importance while you were there?

Mr. VAIL. Yes; the changing of the loading frame. The changes, mostly, that I call to mind, were those matters of tolerances, more mobility; the original drawings called for very close precision work, which is almost impossible in a machine of that kind, and Mr. Church took that up, went to Watertown on the matter and got a great many of them changed.

Mr. GRAHAM. Did that necessitate any change in the plants of the manufacturer?

Mr. VAIL. Not essential; some change in cutters.

Mr. GRAHAM. But he could use his plant with convenience?

Mr. VAIL. I think so; I think no essential changes.

Mr. GRAHAM. The contractor claims in this particular event that there were 4,000 changes that occasioned a great deal of delay.

Mr. VAIL. No doubt of it.

Mr. GRAHAM. What can you say to the committee about the amount of delay that was caused by these changes so far as you observed?

Mr. VAIL. Well, I know there were numerous changes came every day, Mr. Church attended to those personally.

Mr. CHURCH. All changes that we could help it along.

Mr. VAIL. Yes; changes to help it along, made it easier to manufacture. You were delayed somewhat in the method of attaching trunion bearings and that made quite a delay, held up the product until you went to Washington and got it approved.

The CHAIRMAN. But the changes Mr. Church made, in your judgment, expedited the work instead of delaying it?

Mr. VAIL. No doubt of it.

Mr. GRAHAM. I observe, on the 24th of September, 1919—

Mr. VAIL. Yes.

Mr. GRAHAM (continuing). The claimant, the Standard Steel Car Co., by W. G. Corey, made a formal statement to the Ordnance Department in which they claimed that an allowance should be made for 270 days, on account of a delay of 300 days from November, 1917, to September 1918, by reason of governmental changes in drawings and specifications, and so on, and nonreceipt of Government furnished parts, and immediately thereafter Col. W. S. Hughes allowed that claim as it appears here in the record that I have; do you know anything about that?

Mr. VAIL. I know there was a great deal of delay in the furnishing of Government furnished parts.

Mr. GRAHAM. Well, do you know whether that amount of delay was occasioned?

Mr. VAIL. I am not prepared to say. There were numerous changes made. I don't think they were serious changes, minor changes.

Mr. GRAHAM. Would you say to this committee that in your judgment this company was justified in obtaining a delay of 300 days on account of these changes?

Mr. VAIL. I don't think so.

Mr. GRAHAM. Do you know how Col. Hughes came to make this delay?

Mr. VAIL. I do not; no, sir.

Mr. GRAHAM. Did you ever know that that had been done?

Mr. VAIL. I am not sure; I have one of the pamphlets here. I didn't pay much attention to it. I looked over the pamphlet, but that not being a part of my business, I didn't—I knew there was something said about delays, but just what it was I did not impress on my mind.

Mr. GRAHAM. In connection with this testimony, let this claim for allowance and the order of Col. Hughes go into the record at this place.

(The claim referred to is here inserted as follows:)

CLAIM FOR ALLOWANCE UNDER LIQUIDATED-DAMAGE CLAUSE—CONTRACT BETWEEN
UNITED STATES OF AMERICA AND ———.

SEPTEMBER 24, 1919.

From: Standard Steel Car Co.

To: Ordnance Department, United States Army.

Subject: Liquidated damages.

The undersigned hereby makes a claim for an allowance of 270 days within which to make deliveries under Contract No. W. O. OF-331, dated November 16, 1917.

This claim is based upon a delay of 300 days—from November, 1917, to September, 1918—by reason of:

NOTE.—Here set forth (1) the primary cause of delay, the number of days delay, and the dates; (2) the incidental delay in production, if any, with the number of days delay and the dates. Use additional sheets if necessary. If claim is based upon more than one cause of delay, each cause must be stated separately; and

Governmental changes in drawings and specifications, necessitating changes in manufacturing methods, in design of material, and preventing delivery and acceptances until changes in design were completed. (Four thousand changes made between November, 1917, and October, 1918.)

Nonreceipt of Government-furnished parts, including recuperators and wheels, preventing final inspection and delivery until January, 1919, of first units.

STANDARD STEEL CAR CO.,
Contractor.

By W. G. COREY.

DISTRICT OF COLUMBIA, ss:

W. G. Corey deposes and says that he is assistant president of the Standard Steel Car Co., and that the statements contained in the above claim are true and correct to the best of his knowledge and belief.

Subscribed and sworn to me this 24th day of September, 1919.

WM. HAZEN, Notary Public.

[To accompany claim when forwarded by district chief to the Production Division in Washington, D. C.]

From: District chief, Chicago district.

To: Production Division, Ordnance Department, Washington, D. C.

Subject: Recommendation on claim for allowance under liquidated-damage clause.

Contract No.

War Ord. W. O. CF-331.

Name of contractor, Standard Steel Car Co.

I have examined the attached claim and recommend as follows: (If the claim is based on more than one cause of delay, the district chief should make a recommendation as to each clause in detail.)

(a) Three hundred days, from November, 1917, to September, 1918, by reason of Government changes.

(b) Three hundred days, from November, 1917, to September, 1918, by reason of nonreceipt of Government-furnished parts.

(c) ——— days, from ——— to ———, by reason of ———.

E. E. HUGHES,
Colonel, United States Army, District Chief.

Mr. GRAHAM. Now, I want to call your attention, Mr. Vail, to some meetings, a meeting that was held at Hammond, Ind., and another one that was held here in Chicago, were you present at both meetings?

Mr. VAIL. I think I was present at the meeting you refer to in Hammond just previous to the statement of this claim.

Mr. GRAHAM. Yes.

Mr. VAIL. Yes; I was present at that meeting.

Mr. GRAHAM. Will you kindly tell the committee, Mr. Vail, in your own words what happened as you observed it?

Mr. VAIL. I thought that was a very fair and open meeting, and I thought everything was discussed quite thoroughly.

Mr. GRAHAM. What did you do over there, that is what we are particularly concerned in?

Mr. VAIL. I took no active part in the meeting because I was not a member of the committee, but I was invited in.

Mr. GRAHAM. Who invited you?

Mr. VAIL. I don't know whether it was Maj. Dore, or Col. Hughes, one of the gentleman, or a gentleman from Washington, Col. McFarland and Col. Reeves, one of those gentlemen, I rather think it was Col. Hughes suggested I come in. We people came down and went through the shops, looked all around, then went into this meeting and discussed the figures, and then they adjourned, I think.

Mr. GRAHAM. Who presided?

Mr. VAIL. I think Col. Hughes did, if I remember correctly, Col. Hughes, I guess it was.

Mr. GRAHAM. What did Col. Hughes tell these gentlemen the object of the meeting was, or did he say?

Mr. VAIL. Well, he settled the claim of the Standard Steel Car Co.

Mr. GRAHAM. Did he say whether it had been settled by the Chicago ordnance board?

Mr. VAIL. I don't call that to mind that he had, my recollection is that it had not been settled at that time, but I guess it had, subject to the approval of the——

Mr. GRAHAM. The ordnance board had at that time settled it?

Mr. VAIL. Yes; I guess they had.

Mr. GRAHAM. My understanding was that the colonel stated at that meeting that it had been settled, and they were there to approve the settlement.

Mr. VAIL. To approve it; yes, that is my recollection.

Mr. GRAHAM. Well, was there anything said there about a salvage offer, or was that matter discussed?

Mr. VAIL. Yes; that was.

Mr. GRAHAM. What was said on that subject?

Mr. VAIL. That the Standard Steel Car Co. had offered \$800,000 to salvage, and that several days previous to that Col. Larsen or Col. Hughes had requested Mr. Church and myself to make a quick estimate of what we considered the salvage worth, and we went down and went over it very carefully and we made up figures based on our knowledge of the stuff, and largely putting ourselves in the other man's place, if we were there and had the money to pay for it what we could pay cash for it, and we estimated the amount of tonnage from knowing the weight of the carriages, taking off the 200 carriages that had been shipped, taking off some 63 carloads that had been shipped to the Watertown Arsenal, taking off the amount of the material that we understood the Watertown Arsenal yet wanted, taking off the number of tools shipped to the Watertown Arsenal and Rock Island Arsenal, and we summed up our figures at \$947,000, I think it was.

Mr. GRAHAM. Did that include the buildings?

Mr. VAIL. That included the buildings and the machinery and the material.

Mr. GRAHAM. Now, let me ask you, did you estimate that purely from a standpoint of what, if it were put on a forced market, it would sell for?

Mr. VAIL. We did; yes, sir.

Mr. GRAHAM. In other words——

Mr. VAIL. Well, even less than that, because we knew the forced market outside; we took into consideration the immense plant which the Government got, and the expense of maintaining that plant, paying rent, and it was costing us ten times as much as it was worth to pay the gun counters to count the articles, an immense expense, and we took that all into consideration, and we considered that if the Government got \$945,339, we can have that stock counted, actual money, it was a good thing; that is, it would be a quick settlement and would be a fair settlement.

Mr. GRAHAM. How much did you figure that metal per ton?

Mr. VAIL. We figured that metal at \$14.50 per net ton, which is clear—equal to \$16.24 per gross ton. Metal always is sold by the gross ton.

Mr. GRAHAM. What about the steel; was it steel?

Mr. VAIL. Nickel steel.

Mr. GRAHAM. What proportion of nickel in it?

Mr. VAIL. Well, too much; that is, that injured it instead of improving it.

Mr. GRAHAM. Made it very hard?

Mr. VAIL. Hard, yes; it couldn't be used for actually anything we could figure out. I will state we made these figures from quotations, daily quotations or local quotations on melted steel; then we allowed a certain per cent for cutting it up, went through and averaged just how much it would cost to cut it.

Mr. GRAHAM. How much did you allow for cutting it?

Mr. VAIL. Well, about \$3 a ton, cutting and loading. We got that from the scrap men, after we had made our figures, made them up, I interviewed several of the scrap men. One concern sent their man down and looked all over it and I never heard from him again. I also used Capt. Regan or Lieut. Regan, Briggs & Turivas firm, who was slow about getting it in, I went to his office on the morning it was submitted and after talking to him I asked him what would be a fair value for that scrap and he told me \$13.50 a ton—that is, gross ton—inasmuch as I was nearly \$3 above that, we let our estimate stand, we used their figures—I didn't use their figures in making our estimate, but we used their figures in checking our estimate. After it was all done, Mr. Church and I sat down there quietly and went over these and we both decided it was fair—that is, that they might make some money—but the Government, with the expense of selling it out piecemeal, would not realize \$947,000.

Mr. GRAHAM. Was this steel material all cut?

Mr. VAIL. No; there was a lot of it not cut.

Mr. GRAHAM. In what size was it?

Mr. VAIL. There were sheets 5 by 10, side plates.

Mr. CHURCH. Then, there was plates there 8 to 14, something like that.

Mr. GRAHAM. How thick?

Mr. CHURCH. About five-sixteenths; all big plates.

Mr. GRAHAM. Well, now, can that stuff be used for anything else?

Mr. VAIL. Well, we couldn't find—probably some of them could.

Mr. GRAHAM. Was it all nickel steel?

Mr. VAIL. All hard steel; I didn't know of any soft steel in the lot.

Mr. GRAHAM. What efforts did you make to ascertain whether it could be used for any purpose?

Mr. VAIL. Well, we made inquiry.

Mr. GRAHAM. Of whom?

Mr. VAIL. Here is Mr. Church, a practical boiler man, he said it could be used for boilers; we used our own experience largely. I will illustrate, for instance, there is a pile of 3-inch round bars 20 feet long, you might look at that and say it is good; it can be used. What can it be used for? The job shop can use it, but if the job shop ever undertook to use it and cut off a piece 5 feet long and put it in the lathe and tried to turn it, they would turn it a half an hour and then throw it away; you couldn't afford to use it; it is too hard; they would go get a piece of soft steel.

Mr. GRAHAM. Can't it be resmelted?

Mr. VAIL. Oh, yes; resmelted; that is what you can——

Mr. CHURCH. Yes; it can be resmelted.

Mr. GARRETT. If Mr. Church's statements are going into the record, I think that he should be sworn.

(James S. Church was sworn by Mr. Graham.)

Mr. GRAHAM. Now, you can refer to him from time to time.

Mr. VAIL. Yes; we have always worked together, in unison.

Mr. GRAHAM. Any time you want to find out from him, ask him.

Mr. VAIL. Yes.

Mr. GRAHAM. Was there any other scrap material there?

Mr. VAIL. Yes; we estimated 150 tons of brass—150 tons of brass. Now, some of the experts, I believe, in the inspection department estimated 147. I think the Standard Steel Car Co. estimated 140 tons. We put it in at 150 tons. I had the man that made most of that brass over there, and he looked over a lot of it, and said there was some good brass there; and when I got down to the point of laying down the money—buying for cash—he said 11 cents a pound was a fair offer for the brass—that is, \$220 a ton, 150 tons of brass.

Mr. GRAHAM. Now, can't they use that in their business?

Mr. VAIL. No; there is nothing about a car that can be used. I don't think there is a pound of brass on a car nowadays.

Mr. GRAHAM. Is that the only thing that the Standard Steel Car Co. do—make cars?

Mr. VAIL. The only thing, except that they have an automobile factory down in Butler, Pa.; but I think it is a very small affair. I think that they only make cars.

Mr. GRAHAM. I understand they do use a great deal of that material in their automobile factories.

Mr. VAIL. Brass?

Mr. GRAHAM. Do you know anything about that?

Mr. VAIL. I know, from being an experienced automobile builder, there isn't 5 pounds of brass on an automobile, except some embellishment on the lamps—no cast brass on an automobile. I don't know of anything in the Standard Steel Car Co. that they would ever use a pound of that brass for.

Mr. GRAHAM. Do you know anything about the building of a steel car that they could use this metal for?

Mr. VAIL. Absolutely. Mr. Jenks, who is manager down there—an experienced car man—told me that there was not a pound of the metal that they could use in their car.

Mr. GRAHAM. Tell us about the buildings. What buildings did you find out there?

Mr. VAIL. Well, the buildings—I heard you ask this morning about the plant. There is a picture in the back end of the catalogue.

Mr. GRAHAM. You had better describe it. We can't get that into the record.

Mr. VAIL. The main building there, the main machine-shop building, called, No. 11—they had a building called No. 10—280 by 600 feet, the Government built an extension on that of 600 feet more. Now, I think—

Mr. GRAHAM. How wide was it?

Mr. VAIL. Two hundred and eighty feet. Now, something was said this morning about that building costing something over \$300,000, and that the Standard Steel Car Co. paid \$150,000—that that was a very good offer. I will state that these prices of the buildings were checked up by experts from Washington sent on by the Assistant Secretary of War or somebody, and he thought we had made a very fair estimate.

Mr. GRAHAM. When did he send that man on?

Mr. VAIL. He was here the day of the meeting we speak of, but he got there after the meeting was over.

Mr. GRAHAM. Who was he?

Mr. VAIL. Mr. Hodge, I think.

Mr. GRAHAM. Who sent him on here—do you know?

Mr. VAIL. I don't know who did.

Mr. GRAHAM. You said the Assistant Secretary of War.

Mr. VAIL. I thought it came from the assistant, I am not sure whether it was Mr. Riley, I don't know who did send him, he had some official in Washington who telegraphed him to come from Little Rock, Ark., and go back.

Mr. GRAHAM. You say he was sent for; he was at Little Rock and brought up here?

Mr. VAIL. He was at Little Rock, and brought up here, Mr. Hodges.

Mr. GRAHAM. He gave this estimate?

Mr. VAIL. He went over the buildings, got there about 5 o'clock in the evening, and Mr. Church and I went and showed him all the buildings, took blue prints, figured them up, and took them to his hotel that night.

Mr. GRAHAM. How does it happen that buildings that cost \$350,000, in six months deteriorated until they were not worth half that?

Mr. VAIL. I think it would be largely because they were built in a rush time; everything high and rushed.

Mr. GRAHAM. It was no higher than they are now.

Mr. VAIL. Probably not.

Mr. GRAHAM. Mr. Vail, labor and material are higher right here now than they were during the war.

Mr. VAIL. Yes.

Mr. GRAHAM. Why would it deteriorate?

Mr. VAIL. They would not build a building now.

Mr. GRAHAM. What?

Mr. VAIL. They would not build a building now. They are not using them; they are not using them now; maybe they will.

Mr. GRAHAM. They did use them.

Mr. VAIL. They have no prospect of using them now, absolutely; they are a great expense. Their great plant next door is not run 10 per cent.

Mr. GRAHAM. It is not?

Mr. VAIL. No.

Mr. GRAHAM. When did they fall off?

Mr. VAIL. They have had a strike on three months.

Mr. GRAHAM. When did that start?

Mr. VAIL. That started at least three months ago; out of 3,000 men—out of 2,000 men the last account I had—they had 225 men working, about 10 per cent.

Mr. GRAHAM. They quit about the middle of July?

Mr. VAIL. I think so.

Mr. GRAHAM. It is claimed—let me see some of the items here. Here is one of the items in this award that the Chicago board made, additional cost for passenger-car work done in freight shop, \$467,184.51.

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Well, if they were not using all the capacity they had, how could they be entitled to any such figure as that?

Mr. VAIL. I will explain to you—of course I don't know anything about these figures, I have never gone over that, but I saw them, I have a copy of the claim here, I looked over it casually. As I understand it, when this plant was taken over by the Government, they had a lot of passenger cars being built there, and in order to give the Government the freedom of this 60 acres just fenced off as the ordnance plant, they took these passengers over to their freight site and cleared out a building there which was probably known as their paint shop and finished up the cars over at the freight site.

Mr. GRAHAM. Well, now, they have other items in here.

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Notice this, "Returning plant to prewar conditions."

Mr. VAIL. Yes.

Mr. GRAHAM. Of course this was a new plant.

Mr. VAIL. Yes.

Mr. GRAHAM. And therefore there was no prewar conditions. "Plant occupancy since suspension, \$100,000."

Mr. VAIL. Yes.

Mr. GRAHAM. They would not have used the plant if they had had it.

Mr. VAIL. No; they thought they were entitled to rent on it, \$25 a month.

Mr. GRAHAM. \$25,000 a month.

Mr. VAIL. Yes; \$25,000 a month.

Mr. GRAHAM. Yes, you said \$25.

Mr. VAIL. \$25,000 a month, that is one reason we rather favored this quick sale of the assets there in order to avoid that.

Mr. GRAHAM. Why were they entitled to a rent of \$25,000?

Mr. VAIL. Well, they had finished the Government contract, and I suppose they—I suppose a plant of that size ought to be worth \$25,000 to them.

Mr. GRAHAM. But they had no use for it.

Mr. VAIL. No, but still, if the Illinois Trust Co. have this building and they get out, they wouldn't have any use for it, but they probably wouldn't give it to anybody.

Mr. GRAHAM. For three months they have practically been idle there.

Mr. VAIL. Yes.

Mr. GRAHAM. Prior to that time, how was their car business?

Mr. VAIL. I think quite good in the freight side, that is freight cars.

Mr. GRAHAM. Freight cars?

Mr. VAIL. Yes, sir.

Mr. GRAHAM. How about passenger cars?

Mr. VAIL. I don't believe that they built any passenger cars.

Mr. GRAHAM. Did they build any passenger cars after they made this contract with the Ordnance Department?

Mr. VAIL. I don't know anything about that, only what I hear in here; I was not there.

Mr. GRAHAM. Is there anybody here that knows?

Mr. VAIL. I think probably Maj. Baylis will probably know, Mr. Graham; those are matters that really happened before I was there; I can only say from hearsay.

Mr. GRAHAM. I understand, Mr. Vail, that a large part of this claim is based on the theory—this award is based on the theory that the Government is damaging that company by keeping it out of possession and use, using that for something else when it might use it for its own business.

Mr. VAIL. Yes.

Mr. GRAHAM. I understand from you that at the present time it has not got much business.

Mr. VAIL. Well, I may say that I have heard that they are looking up a business to put in there, but I don't know the nature of it. I understood they were trying to find some industry to put in there to utilize this plant. They have it on their hands and want to get something in there. I just heard that casually.

Mr. GRAHAM. Have you heard what sort of business?

Mr. VAIL. I haven't the least idea in the world. One of our men is there working on development work, and I think he is trying to develop something to put into that plant to utilize it.

Mr. GRAHAM. One of your men you mean?

Mr. VAIL. No; one of the Standard Steel Car Co. men. He is the head of their advance and experimental department. I have been told he was working on some scheme to put something in there to utilize that plant. That is only from hearsay.

Mr. GRAHAM. Was this a man who was formerly connected with the Ordnance Department?

Mr. VAIL. Yes; he was general manager, or the manager of production, there—chief engineer—very valuable man.

Mr. GRAHAM. For the company.

Mr. VAIL. For the Standard Steel Car Co.

Mr. GRAHAM. Has he been in the employ of the company for a good while?

Mr. VAIL. Yes; their best man.

Mr. GRAHAM. What is his name?

Mr. VAIL. Christianson. He has done wonderful work on this plant.

Mr. GRAHAM. Was anything said in the meeting at Hammond, Ind., as to whether there had been an audit made of the items in this claim?

Mr. VAIL. Not in the meeting; but I stepped out for a minute, and Mr. Blakey followed me out, and he said to me, "Why, some of those items have not been audited," and I says, "Blakey, you go on in and tell Col. Hughes"—not my business; I wasn't auditor—and I says, "You go on in and tell Col. Hughes." And he went in and sat alongside of Col. Hughes, and I rather think he did not say a word about it. I think he came up to town next day and told some of the gentlemen from Washington what he should have told Col. Hughes in that meeting.

Mr. GRAHAM. Oh, you heard in this—nothing said?

Mr. VAIL. Nothing in the meeting. I heard nothing in the meeting said.

Mr. GRAHAM. Were you at the meeting next day?

Mr. VAIL. I was at the meeting next day, did you say?

Mr. GRAHAM. Yes.

Mr. VAIL. I was in the meeting, but I don't—I wasn't in the heat of the meeting. I think I was in and out; had business in other parts of the office. I don't think I was referred to or had anything to say in that meeting; that I asked any questions.

Mr. GRAHAM. Did you know of the salvage offer that was made by Briggs & Turivas?

Mr. VAIL. I will state, as I told you, Briggs and Turivas told me 13½ cents a pound, and they went to Hammond and promised to let me know again, and I never heard from them until some time—in that connection down there—whether Maj. Dore, Col. Hughes—one of the gentlemen had a letter from Briggs & Turivas saying that they would pay a certain per cent of cost and material, and which, if I remember right, was something like 15 to 20—15 per cent. I looked at it, and I says, by the way, "Well, of course this is a cash offer, and a man that would offer 15 per cent of material that cost 17 cents per pound for scrap really doesn't know what he is talking about; that would amount to over 3 cents a pound, and the man will go broke that buys that at 3 cents a pound."

Mr. GRAHAM. Did you know the firm of Briggs & Turivas?

Mr. VAIL. No; I don't know them. I knew Lieut. Regan, formerly of the service.

Mr. GRAHAM. Did you know whether the firm was reliable?

Mr. VAIL. I didn't know anything about them. I hadn't heard of them, except I called Regan on the phone and asked him to give me an idea of what the scrap value was, what it cost to cut it up. I didn't hear from him, so I went to his office early Thursday morning, the day Mr. Church and I submitted our estimate. By that time the best offer we had from Briggs & Turivas was 13½.

Mr. GRAHAM. That was not an offer.

Mr. VAIL. No; just an offhand figure.

Mr. GRAHAM. You did not consider this letter an offer?

Mr. VAIL. I didn't know anything about that letter until long after our estimate was in.

Mr. GRAHAM. When was this statement made that you made, that a person who made this kind of an offer didn't know what he was talking about, after the thing was done?

Mr. VAIL. Yes; long after—after our estimate was gone in.

Mr. GRAHAM. Where did you see the letter?

Mr. VAIL. Down at Hammond, the day of the meeting.

Mr. GRAHAM. Who was it showed it to you?

Mr. VAIL. He was—somebody down there brought it down, somebody from Chicago had a letter from Briggs & Turivas; Palmer, I think, told me about it afterward; Palmer in Chicago told me he had such a letter.

Mr. GRAHAM. Are you sure somebody showed it to you at the Hammond meeting?

Mr. VAIL. I would not declare that either; it may have been in Chicago; I was back and forward. Palmer may have showed it to me in Chicago.

Mr. GRAHAM. You paid no attention to the letter?

Mr. VAIL. I thought—I merely said it was so much per cent on the cost of the material—15 per cent, that it was—I thought it was so out of the way, our estimate had gone in, and I immediately consulted with Church and we decided we had made a fair estimate and we would stick to it.

Mr. GRAHAM. If this firm wanted to pay 15 per cent, Mr. Vail, of the cost price, that was their affair, wasn't it?

Mr. VAIL. Yes; it wasn't mine.

Mr. GRAHAM. Why didn't you consider it a bona fide offer?

Mr. VAIL. I don't know; I wasn't taking offers; I was not trading. I was merely asked what I considered the fair trading value for that stuff.

Mr. GRAHAM. A fair value for it is what you can sell it for?

Mr. VAIL. Yes; and get the money.

Mr. GRAHAM. And if you can sell it for 15 per cent, a person would be very unwise to estimate it at 4 per cent, wouldn't he?

Mr. VAIL. Sure. Briggs & Turivas letter, if I remember right, as I saw it—was very peculiarly worded—would give 15 per cent of the original cost of the material that went into the part. Well, now, you could go away back to the mine if you wanted to; it was very misleading to me.

Mr. GARRETT. I move an executive session.

Mr. GRAHAM. Gentlemen, we want to have a little conversation; we will go out of the room and be back presently.

(Short recess taken.)

Mr. GRAHAM. The only attention you gave to this letter, Mr. Vail, was that the bidders didn't know what—

Mr. VAIL. I think it was a wild bid; yes, sir.

Mr. GRAHAM. You would pay no more attention to it?

Mr. VAIL. Come in after we had made our estimate, seen it, consulted, and give it all due consideration. Mr. Church and I went and talked it over and decided that we had committed ourselves after careful thought and everything and we would stand by what we said as being the best of our judgment.

Mr. GRAHAM. Well, you arrived at approximately \$947,000, didn't you?

Mr. VAIL. I did.

Mr. GRAHAM. And afterwards, when you met with these gentlemen, the salvage was reduced to \$900,000?

Mr. VAIL. Yes.

Mr. GRAHAM. What did you do with that \$47,000?

Mr. VAIL. We had nothing to do with that whatever. I rather think the question was put to us in the Chicago office, to Mr. Church and me together. "Would you consider \$900,000 clean sale?" and we said "Yes."

Mr. GRAHAM. Who put that question to you?

Mr. VAIL. I don't remember. Do you, Mr. Church?

Mr. CHURCH. No; I do not.

Mr. GRAHAM. If you do not remember, say so.

Mr. VAIL. I do not remember. There were several gentlemen there; several from Washington.

Mr. GRAHAM. That was at Hammond, you say?

Mr. VAIL. No; that was in Chicago, I think.

Mr. GRAHAM. Were you at the meeting the next day?

Mr. VAIL. I was.

Mr. GRAHAM. Well, was——

Mr. VAIL. You mean up here in Chicago?

Mr. GRAHAM. Yes.

Mr. VAIL. Well, I was in the office off and on, but not throughout the meeting.

Mr. GRAHAM. You don't remember who asked you whether \$900,000 was a fair offer?

Mr. VAIL. No, sir.

Mr. GRAHAM. What you say you said?

Mr. VAIL. I think so; yes.

Mr. GRAHAM. Well, if \$947,000 was your estimate——

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Why did you consider \$900,000?

Mr. VAIL. Because I didn't think the Standard Steel Car Co. would give more; they had assured us that they would not.

Mr. GRAHAM. You were basing your judgment entirely on what the Standard Steel Car Co. would give?

Mr. VAIL. Yes, sir; and what the Government could afford to take for a quick clean-up.

Mr. GRAHAM. Do you think that is the right basis to arrive at a salvage value. Mr. Vail, to figure what the contractor, the person interested, will give the Government for it?

Mr. VAIL. Why, I should think that was the only thing; if you make the price so high he won't take it you simply throw it on the salvage board to be sold out in small lots, and invariably it costs almost as much to sell it as you would get out of it.

Mr. GRAHAM. Where did you ever hear of such?

Mr. VAIL. I have heard such—for instance, a building, as I understood, got no offer that was satisfactory; started to tear it down; paid a big price to tear it down and move it away——

Mr. GRAHAM. What plant was that?

Mr. VAIL. The Standard Forging, I think.

Mr. GRAHAM. The Standard Forging?

Mr. VAIL. They did tear the building down and wished afterwards that they hadn't. That I only know from hearsay. I never saw the building.

Mr. GRAHAM. You did not think it was advisable even to offer this scrap metal for sale elsewhere?

Mr. VAIL. Yes; I would—in my judgment I would have offered it, but, as I understood, the object of the whole thing was to make a rapid and clean, quick clean-up—

Mr. GRAHAM. Who told you that was the object of it?

Mr. VAIL. Well, I understood it right along, in fact.

Mr. GRAHAM. Well, who from?

Mr. VAIL. Well, I don't know as I can call to mind; I was in Washington on this in May, discussing this very claim; went down there to see if I could be of any service.

Mr. GRAHAM. Did you go—

Mr. VAIL. And they referred it back here, and says, "You tell the Chicago office to clean this thing up if they can."

Mr. GRAHAM. Did you go of your own volition?

Mr. VAIL. No; I was at the Aberdeen proving grounds and stopped off there at the instruction of Mr. Russell to see if I could be of any service.

Mr. GRAHAM. The instruction of Mr. Russell, chief of the Ordnance Board here?

Mr. VAIL. Yes.

Mr. GRAHAM. Did he tell you to offer your services in connection with this claim?

Mr. VAIL. He—there was a question up about governing this, whether with a contract—

Mr. GRAHAM. And the question, was that explained? Explain that to us.

Mr. VAIL. This was originally—there has never been a contract signed on this production down here.

Mr. GRAHAM. Why?

Mr. VAIL. It was a procurement order—order CF 331.

Mr. GRAHAM. Why, why wasn't there?

Mr. VAIL. I don't know why.

Mr. GRAHAM. You do know, don't you, that the company would not sign the contracts?

Mr. VAIL. I do—I understood that they wouldn't sign a contract; yes, sir.

Mr. GRAHAM. Now, when did Mr. Russell first speak to you about going down there?

Mr. VAIL. The matter first came up in—this contract called for a certain per cent on cost to be based on an estimate.

Mr. GRAHAM. That is the Bridge Turivas order did?

Mr. VAIL. Yes sir. In—shortly after Mr. Church and I went there, we went there the same day, possibly in June—the matter came up of what the gun carriages would cost.

Mr. GRAHAM. Came up with whom?

Mr. VAIL. With the department, to make the final contract, I should judge, or set what profit—

Mr. GRAHAM. That was in September?

Mr. VAIL. No; that was in July, 1918.

Mr. GRAHAM. Well, you were not then in the department, were you?

Mr. VAIL. I was; I was there the 17th of June, but I was manufacturing expert, not chief production officer.

Mr. GRAHAM. Well, you were manufacturing expert attached to this particular plant.

Mr. VAIL. Never been any place else with the ordnance but this plant.

Mr. GRAHAM. When did you begin as manufacturing expert there?

Mr. VAIL. June 17, 1918.

Mr. GRAHAM. Yes; and only went in there as production officer in September?

Mr. VAIL. September 11, 1918.

Mr. GRAHAM. Now, then, shortly after you came in with Mr. Church somebody took up with you the question of the cost of providing these gun carriages?

Mr. VAIL. They did.

Mr. GRAHAM. Who was it?

Mr. VAIL. I think it was Mr. Russel's office—I think Mr. Russel himself.

Mr. GRAHAM. Yes; what did Mr. Russel—what were his views about it?

Mr. VAIL. The Standard Steel Car Co. had submitted an estimate of the cost of this gun carriage at about \$52,000, we will say; they drew the papers, and Mr. Church and myself, we went very carefully to work and we went over the figures, and I have a letter here covering it and allowing liberally for everything—that is, war conditions—and we figured the gun carriage would cost about \$35,000.

Mr. GRAHAM. Thirty-five?

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Did you make a report of that kind?

Mr. VAIL. We did.

Mr. GRAHAM. Well, then, what happened?

Mr. VAIL. Then we went to Washington, and Mr. Hanson, of the Standard Steel Car Co., he claimed that the—he insisted that it couldn't be done, and that they should have \$5,100 profit, I think it was.

Mr. GRAHAM. Who sent you to Washington, Mr. Vail?

Mr. VAIL. Mr. Russel.

Mr. GRAHAM. Did you and Mr. Church both go?

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Did anybody else go with you?

Mr. VAIL. Nobody; no.

Mr. CHURCH. I was down.

Mr. VAIL. You were not ordered down.

Mr. CHURCH. I got a telegram at Watertown to go and meet you in Washington.

Mr. GRAHAM. Whom did you meet there?

Mr. VAIL. Oh, we met Col. Jamison—we first met Maj. Dame, who took us to Col. Jamison—and I think Col. Jamison sent us to Mr. Hughes, or Col. Hughes, then Maj. Hughes.

Mr. GRAHAM. Who were there, were there any representatives of the company with you?

Mr. VAIL. Mr. Hanson and Mr. Corey met us in the office there.

Mr. GRAHAM. Then you went over this claim, did you?

Mr. VAIL. Yes.

Mr. GRAHAM. With Col. Hughes?

Mr. VAIL. Yes.

Mr. GRAHAM. Who decided that \$4,000 was the right profit?

Mr. VAIL. I think that—I think Col. Hughes was the spokesman, and he offered Hanson \$4,000, after Hanson explaining that it could not be done for less—Hanson wanted \$5,200; stuck out for \$5,200—then after some negotiations I think Col. Hughes said “You will accept \$4,000,” and Hanson says “No; but I will split the difference between \$4,000 and \$5,200.” Then I—my recollection is Col. Hughes says, “No; all you get is \$4,000; if you don’t take it, you can’t get anything,” and they settled on \$4,000.

Mr. GRAHAM. Let me return for a moment to that salvage offer, \$947,000. Suppose, after you had fixed that salvage offer that this company had offered you \$800,000, would you have agreed to it?

Mr. VAIL. No.

Mr. GRAHAM. Why not, if—

Mr. VAIL. They did offer \$800,000. I think I would have taken the risk to sell it to somebody else.

Mr. GRAHAM. Who could you have sold it to?

Mr. VAIL. I think we probably could have—I think we could have sold—the buildings, it would be a question whether the Government, even at \$800,000, wouldn’t be better off, that is than if they didn’t, the buildings are on their ground. Now, as an illustration, there is a cement building there that cost \$120,000—concrete warehouse—they offered \$35,000 for it. Now, we had a wrecker in there to look at that building to wreck it, and he wouldn’t take it—have it—reinforced concrete, it couldn’t be moved, absolutely. They would give \$35,000 for it. I also had the wrecker in there looking at those buildings, what it would cost to take them away, that big machine shop, \$150,000, I think I have the percentage of what that cost, that wouldn’t—a man could not afford to give \$75,000 for it and move it and put it up again because it is all bricked up again. On their offer of buildings, they calculated through about 30 per cent of what they cost in war times.

Mr. GRAHAM. What?

Mr. VAIL. Their offer on buildings included in this estimate of \$947,000, the buildings run about 30 per cent of the original cost, now, the idea being, here is a building on another man’s ground, there is no way that the Government could get those buildings away—they might condemn the ground—

Mr. GRAHAM. What was it built on somebody else’s ground for?

Mr. VAIL. That is something away behind me. I think if I had made the contract, knowing what I do of the situation now, I would have put in a provision for the purchase of the ground. All of this is long before my time. I think those things were done that way during the war.

Mr. GRAHAM. As a matter of fact, Mr. Vail, your entire salvage value on this stuff was based on the theory of how much you could get out of this company?

Mr. VAIL. Entirely—well, not entirely, but very largely, that they could afford to give so much, and we expected them—we thought that they would make a profit on it, and we knew that they could make a whole lot more profit than any outside bidder to go into the plant without the facilities; they have the facilities there for handling it, their own men, whereas I might state there was a contract let for the salvage to move any and all stuff there for \$6 a ton; that

included the buildings; \$6 a ton on one of those buildings would make quite a hole in it to tear it down.

Mr. GRAHAM. What was your business, Mr. Vail, before; you said you were an engineer?

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Did you have an office here in Chicago?

Mr. VAIL. No, sir; I have been retired for two years.

Mr. GRAHAM. Living where?

Mr. VAIL. Evanston, Ill.

Mr. GRAHAM. Are you connected in any way with any manufacturing interests of any kind?

Mr. VAIL. None whatever. I am a stockholder in one of the automobile companies in Detroit. Previous to that I was chairman of the Maxwell board in New York.

Mr. GRAHAM. Maxwell board?

Mr. VAIL. Maxwell Motor Co. I have been in the manufacturing business for 35 years.

Mr. GRAHAM. Cross-examine, Mr. Jefferis.

Mr. JEFFERIS. What automobile company are you interested in, Mr. Vail?

Mr. VAIL. I have stock in the Maxwell Co., of which I was formerly chairman.

Mr. JEFFERIS. Where is it located?

Mr. VAIL. Detroit, Dayton, and Newcastle, Ind.

Mr. JEFFERIS. Did the Maxwell have any contracts with the Government—Maxwell Automobile Co.?

Mr. VAIL. I have heard that they have. I have never been in their plant—I have never been in their shops—for five years; I knew nothing; haven't any connection with them; happened to own some shares of stock.

Mr. JEFFERIS. Do you know whether they have settled or not?

Mr. VAIL. I don't know; haven't the least idea.

Mr. JEFFERIS. Just what were your duties as chief production officer here in Chicago?

Mr. VAIL. I was located at Hammond.

Mr. JEFFERIS. In this district?

Mr. VAIL. Yes; I was located at Hammond. The chief of production—the duties of the chief of production officer are to be a liaison officer between the Standard Steel Car Co. and the Government regarding the matters of production.

Mr. JEFFERIS. Well, in what way?

Mr. VAIL. Well, we approve all prices of purchases.

Mr. JEFFERIS. Of material?

Mr. VAIL. Of material, buildings, anything else, everything. Every expenditure had to be approved by us before the money was paid, generally before it was purchased.

Mr. JEFFERIS. And with what officers of the Standard Steel Car Co. would you make these approvals?

Mr. VAIL. The approvals come to us from the purchasing department.

Mr. JEFFERIS. Who was that?

Mr. VAIL. The purchasing manager I had up to probably the first of the year was a gentleman by the name of Jesup—R. H. Jesup.

Mr. JEFFERIS. And who after that?

Mr. VAIL. After that was a man by the name of Reeder; he is still in that position.

Mr. JEFFERIS. So, if the Standard Steel Car Co. wanted to purchase any materials or to put up any buildings they got you—

Mr. VAIL. They had to get our approval.

Mr. JEFFERIS. They got your approval first?

Mr. VAIL. Our approval.

Mr. JEFFERIS. Would you furnish estimates, or how?

Mr. VAIL. Always estimates, bids—always.

Mr. JEFFERIS. Well, did they keep within these estimates or bids or overrun them?

Mr. VAIL. They always kept within them, we wouldn't approve any over them. If the bill came in, we approved the invoice after they came in. If they ran over, we would not pay it unless there was some very good reason for it that could be explained; some very satisfactory way.

Mr. JEFFERIS. They spent more money on buildings out there than the Government had approved, did they?

Mr. VAIL. They did.

Mr. JEFFERIS. Did you approve that?

Mr. VAIL. I did not; nobody did.

Mr. JEFFERIS. How much more did they spend than what you approved?

Mr. VAIL. I have heard it said here this morning, I think it was—I think the figures I heard here this morning—and they sounded about right—but they were never approved; they went into the claim.

Mr. JEFFERIS. Then, from September, 1918, all these purchases had to be approved by you, did they?

Mr. VAIL. Yes, sir; September 11.

Mr. JEFFERIS. Well, now, just what purchases had been made up to the time of the armistice?

Mr. VAIL. Why, practically everything for the—there were very few purchases made after the armistice.

Mr. JEFFERIS. Do you know how much?

Mr. VAIL. More than factory supplies and things, odds and ends, to finish up the 200 carriages, and everything was countermanded; first went down to 300, then later down to 200 carriages.

Mr. JEFFERIS. When did it go down to 200?

Mr. VAIL. I should judge that happened along in the end of the year. Do you know when it was?

Mr. CHURCH. It was about a month after it was cut down to 300.

Mr. VAIL. Yes; cut down to 300 and then down to 200.

Mr. JEFFERIS. As a matter of fact, it was March before it was cut down.

Mr. VAIL. Well, maybe that is it.

Mr. JEFFERIS. Well, how much of the material to manufacture 200 carriages had you approved up to the armistice, November 11, 1918?

Mr. VAIL. Practically everything except—I think that the stuff for the 200 carriages had all been purchased, every bit of it.

Mr. JEFFERIS. Have you any figures of what amount had been purchased at the time of the armistice?

Mr. VAIL. No, sir; I have no figures; the accounting department may have; but it is my recollection that there was no purchases made

of material that went into the gun carriages after—after I went in office, September 11, I think all the purchases had been made before that.

Mr. JEFFERIS. Do you mean to tell the committee that all these purchases had been made before you became—

Mr. VAIL. Practically; yes, sir.

Mr. JEFFERIS (continuing). Chief production officer in 1918?

Mr. VAIL. Yes.

Mr. JEFFERIS. As a matter of fact, you did not approve hardly anything after you went in office?

Mr. VAIL. We had another contract on there, you know, for the caterpillar; we had to approve that.

Mr. JEFFERIS. I don't want to mix up the caterpillars with the carriages.

Mr. VAIL. Then we had—

Mr. JEFFERIS. Well, just wait a minute.

Mr. VAIL. Yes.

Mr. JEFFERIS. As I understand you, in so far as this gun-carriage proposition was concerned, all the purchases of material had been approved and were on hand when you went there?

Mr. VAIL. No.

Mr. JEFFERIS. When you went there in September, 1918?

Mr. VAIL. No; the purchases had been approved; but there was a lot not on hand, a great deal.

Mr. JEFFERIS. Put it that way, then; had they all been approved?

Mr. VAIL. The purchases had been approved.

Mr. JEFFERIS. When you took that office of chief—

Mr. VAIL. For 964 gun carriages.

Mr. JEFFERIS. Do you know what the amount of the purchases amounted to at that time?

Mr. VAIL. Well, I guess I could tell pretty easily; it is—well, the material we estimated—I don't know the figures; Mr. Miller would know them better than I do; I didn't keep the figures; but here is our estimate of material, was \$9,000 for gun carriage, and 964 would make nearly \$9,000,000, you see, the purchases.

Mr. JEFFERIS. Now, when was that estimated?

Mr. VAIL. What—that estimate was made in July, 1918; that is the amounts of material.

Mr. JEFFERIS. Who was your predecessor chief production officer?

Mr. VAIL. The predecessor chief production officer was Maj. Parks.

Mr. JEFFERIS. Do you know where he is now?

Mr. VAIL. I have no idea.

Mr. JEFFERIS. Then I take it that these buildings were all approved before you took the office of chief production officer.

Mr. VAIL. I approved only one lot of buildings, none of which were ever finished, one started and never finished, one lot of woman's rest buildings which—we employed a great many women and we got authority from our power higher up to build three woman's rest buildings and we approved those.

Mr. JEFFERIS. They were never completed?

Mr. VAIL. They were never completed.

Mr. JEFFERIS. Now, when you took charge there as chief production officer at Hammond, as I understand there had been very little work done on any of these carriages.

Mr. VAIL. No; there had been considerable work, but there had been terrible delay in receiving material.

Mr. JEFFERIS. What did you mean a little while ago when you said very little progress had been made September 11?

Mr. VAIL. I meant toward completed carriages, they were unbalanced, they had to allow—they had a whole lot of one thing and nothing of another, I might explain too that our first carriage which we got out on the 28th day of September at the request of Mr. Russell, chief of ordnance, who asked us to get it out, we had to substitute hand-made material, had to, for instance where we could not get drop forgings, we had to get men working to hammer out by hand certain pieces for carriages in order to get one gun carriage, and the bill would apply on that stuff, especially drop forgings.

Mr. JEFFERIS. Do you know how much that gun carriage you got finished by this hand work cost?

Mr. VAIL. I should say a couple hundred thousand dollars, take it just that way, delay and everything else. That is only a guess, surmise. Is that right?

Mr. CHURCH. It cost a good deal more than that.

Mr. VAIL. It cost a good deal more than that because it had been running along. If we had stopped then and took all the expense, everything, it would probably have cost a million dollars—that is, if you measured by the output of one gun carriage.

Mr. JEFFERIS. And so you spent considerable of your time after you got in there as chief production officer getting out one gun carriage?

Mr. VAIL. Yes.

Mr. JEFFERIS. Did that by hand?

Mr. VAIL. Oh, no, no; after I got in, I went in the 11th of September and the first gun carriage was finished on the 28th of September.

Mr. JEFFERIS. Yes.

Mr. VAIL. And by—we had—we had the parts of many gun carriages, maybe we had 200 platforms, didn't we, in December?

Mr. JEFFERIS. You got one out September 28.

Mr. VAIL. Yes.

Mr. JEFFERIS. That was a hand-made concern?

Mr. VAIL. That was partly a hand-made concern.

Mr. JEFFERIS. And you spent how much do you think, getting that out?

Mr. VAIL. Well, the direct labor on it, that is just that thing itself, eliminating the parts of the others, I should say, according to how you counted it, if you counted the use of the buildings and everything for that one, it was a whole lot, but take just the material and labor, the material wouldn't cost any more, \$9,000, and the subcontracts would cost five thousand more; that is \$14,000 of material, the material and the subcontract cost on this carriage, according to our estimate, we estimated the total labor on those gun carriages—

Mr. JEFFERIS. I am just talking about this one now.

Mr. VAIL. Oh, well, that would be about—an almost impossible thing to tell.

Mr. JEFFERIS. When did you get out the next one?

Mr. VAIL. The next one? They commenced to come out pretty lively after the 1st of December.

Mr. JEFFERIS. Do you know when you got out any more?

Mr. VAIL. Yes; we got up to 10 a day.

Mr. JEFFERIS. When?

Mr. VAIL. In—when did we make the 10, in May?

Mr. CHURCH. Didn't make any 10.

Mr. VAIL. How many did we make—we made 30 a week.

Mr. CHURCH. We made 30 a week.

Mr. VAIL. At five a day.

Mr. JEFFERIS. When did you do that?

Mr. VAIL. We made—we did that in—

Mr. CHURCH. May.

Mr. VAIL. May. I was in Washington.

Mr. JEFFERIS. May, 1919.

Mr. VAIL. May, 1919, 30 a week.

Mr. JEFFERIS. So you got out one on September 28. Did you get out any more before the armistice?

Mr. VAIL. No; none finished.

Mr. JEFFERIS. What did you do with that one?

Mr. VAIL. That went to the Aberdeen Proving Ground.

Mr. CHURCH. It wasn't shipped until January.

Mr. VAIL. It wasn't shipped till January, because we didn't—we held it there until January, we didn't get a gun.

Mr. GRAHAM. Just a moment, Mr. Church, you tell Mr. Vail what he wants to know, and let him say it, otherwise the record gets all confused.

Mr. VAIL. Yes, yes. We held that until January, when we got a gun.

Mr. JEFFERIS. Where did you get the gun?

Mr. VAIL. It came from the Watervliet Arsenal.

Mr. JEFFERIS. You put the gun on it, and sent it to Watertown?

Mr. VAIL. It was necessary to have the gun in order to balance the carriage.

Mr. JEFFERIS. Did you have to wait for the gun any?

Mr. VAIL. Yes; we waited until January.

Mr. JEFFERIS. Well, had you any others made?

Mr. VAIL. Any other guns?

Mr. JEFFERIS. Carriages?

Mr. VAIL. Yes; we had quite a number ready then; yes, at that time.

Mr. JEFFERIS. Why didn't you send these somewhere?

Mr. VAIL. We couldn't send them without the gun; we had to use the howitzer, as we called it, to balance the carriage; the howitzer is tried in—

Mr. JEFFERIS. When did you hurry these folks to get these 200 guns made; when did you get them made?

Mr. VAIL. How did we?

Mr. JEFFERIS. These 200 carriages?

Mr. VAIL. Yes.

Mr. JEFFERIS. You were hurrying them up?

Mr. VAIL. We were hurrying them up all the time; every minute.

Mr. JEFFERIS. When did you get them made?

Mr. VAIL. We got them finished on the 28th day of July, 1919.

Mr. JEFFERIS. 1919.

Mr. VAIL. June, June, June.

Mr. JEFFERIS. Was it June or July?

Mr. VAIL. June; 28th day of June.

Mr. JEFFERIS. Now, did you have to have anything—any of the recuperators?

Mr. VAIL. Yes.

Mr. JEFFERIS. Did they have anything to do with your production of these carriages?

Mr. VAIL. We couldn't finish or ship our gun carriages without the recuperators.

Mr. JEFFERIS. When did you get those?

Mr. VAIL. We commenced to get them—I am just speaking from memory now—I should say about December 1, or the middle of December.

Mr. JEFFERIS. Then the major part—

Mr. VAIL. About December 1, I should say.

Mr. JEFFERIS. The major part of the expenditures for labor, etc., occurred after the armistice for these carriages, didn't it?

Mr. VAIL. The finishing did, the finishing up very largely; yes, sir.

Mr. JEFFERIS. That is when most of this overhead expense and all this was created?

Mr. VAIL. Yes; very much of it.

Mr. JEFFERIS. And running up until the 1st of July?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. Now, you told me, or said here a little while ago that you went to Washington in May, I think it was, of 1919?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. Did you? To try to take up the settlement of this claim of the Standard Steel Car Co.?

Mr. VAIL. No; Mr. Church, Maj. Bayliss, Col. Clark, and myself went to the Aberdeen Proving Grounds to see our first gun carriage tried, and as we went into Chicago to get our travel orders Mr. Russell said, "Now, you go in and see the gentlemen down there and see if you can give them any information regarding the matter of the Standard Steel Car Co."

Mr. JEFFERIS. Give who any information?

Mr. VAIL. Maj. Dame and the—I guess they call it the claim board, I don't know what, down there; Maj. Dame and Col. Reeves, I think it was, and Maj. Dellafield.

Mr. JEFFERIS. Were you trying to settle this claim before they got the 200 carriages finished?

Mr. VAIL. No; what we went there was to see if we could be of any assistance making a contract; there never had been a contract drawn.

Mr. JEFFERIS. Oh; who—what officer of the Government was trying to make a contract at that time?

Mr. VAIL. I think the gentleman that threw up the—

Mr. JEFFERIS. Who?

Mr. VAIL. I think the gentleman that threw up the contract, the preliminary contract; there was some question about it, the preliminary contract here; Maj. Hawkins—is that right? Do you remember?

Mr. CHURCH. Yes; that is right.

Mr. VAIL. I saw Maj. Hawkins next day and Mr. Russell suggested that I familiarize myself with any precedents that might arise, and that I might get information on at the plant.

Mr. JEFFERIS. I know; but what was the occasion of having a contract now in May, 1919, long after the war was over and while you were pushing things to get out these carriages?

Mr. VAIL. Well, the department in Washington thought there should be a contract.

Mr. JEFFERIS. Now, who?

Mr. VAIL. For instance, there was Maj. Dellafield—I don't know what his connection is—spoke about it, that we should have a contract. I think I went to Maj. Day first. He took me to Maj. Dellafield, I think, a tall gentleman there, an officer; and I think he took me to Maj. Hawkins and Maj. Hawkins got us a form of contract that they were using and wanted them to sign; and it had in it some kind of cancellation clause, I think it was; and he told me that the cartridge company did not want to sign that sort of contract, that they were drawing up a contract of their own that they would submit. I never saw that, though.

Mr. JEFFERIS. But what interests me is why they were trying to get a contract, as you say either the Government—

Mr. VAIL. It seemed to be a difference of opinion. Some gentlemen down there. I think it was—I don't know who it was—somebody said they didn't think they needed a contract, and I told Mr. Russell I didn't think the contract was necessary.

Mr. JEFFERIS. Were you down there really trying to settle this thing or make a contract?

Mr. VAIL. No; I was at Aberdeen and merely stepped in there. They told me to step in there to see if I could be of any service—the gentlemen there.

Mr. JEFFERIS. So you were stating it a little wildly when you said that you went down there to try to settle this up, were you?

Mr. VAIL. Trying to lend my assistance if I could in any way possible.

Mr. JEFFERIS. Then you were giving this committee the wrong impression, weren't you?

Mr. VAIL. I don't know that I was.

Mr. JEFFERIS. What?

Mr. VAIL. No; I don't think I was. I think the matter was up at that time, and I was asked how many carriages were built, and things like that; but there was nothing definite, as I understood generally.

Mr. JEFFERIS. Well, now, then you came back at the end of May I suppose to hustle them along?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. Until the latter part of June?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. And by that time they had got the 200 more?

Mr. VAIL. They had got the 200 more carriages; yes, sir.

Mr. JEFFERIS. Then what next did you have to do about this matter?

Mr. VAIL. Well, our duties then, there, were to cut off the force all we could, and we cut off force, and I economized in every possible

spot; the supplies were cut off all we could, and we were there closing the matter up.

Mr. JEFFERIS. Did you get a commission in the Army in any way?

Mr. VAIL. No, sir; no commission.

Mr. JEFFERIS. You were simply employed?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. Salary, or how?

Mr. VAIL. Yes, sir; salary.

Mr. JEFFERIS. Who employed you?

Mr. VAIL. Mr. Russell.

Mr. JEFFERIS. Do you mind stating what salary you received?

Mr. VAIL. Three hundred dollars a month.

Mr. JEFFERIS. Do you know what Mr. Church got?

Mr. VAIL. Same thing.

Mr. JEFFERIS. Now, did you have any responsible work in making settlement with the Standard Steel Car Co.?

Mr. VAIL. None, absolutely; only to be of such service I could as to giving any such information as I happened to know.

Mr. JEFFERIS. Did you talk with Col. Hughes any about it?

Mr. VAIL. I talked to Col. Hughes; yes.

Mr. JEFFERIS. When?

Mr. VAIL. Various times; at the time the big volumes here were filed.

Mr. JEFFERIS. Do you know when those were filed?

Mr. VAIL. I don't remember. I think they were about two months ago.

Mr. JEFFERIS. Think they were filed; before the carriages were completed, weren't they?

Mr. VAIL. No; I don't think they were; I think they were filed in August, if I remember right.

Mr. JEFFERIS. In August.

Mr. VAIL. I remember seeing them up there; I remember Col. Hughes asked me if I wanted to read them, and I looked over them in a general way.

Mr. JEFFERIS. If they were filed in August they would not have any claim at all, then, under the law, would they?

Mr. VAIL. I don't know about that.

Mr. JEFFERIS. What?

Mr. VAIL. I haven't the least idea.

Mr. JEFFERIS. As a matter of fact, Mr. Vail, was not this claim filed in June, before the carriages were completed?

Mr. VAIL. I don't remember; I was more interested in furnishing—I will see right here now [examining papers]—may be I can furnish a little light on that. Let us see if I have got that here. In fact, I didn't take much part in the negotiations in figuring myself more of an expert manufacturer, and when I was asked questions I answered them. I didn't even—June 24, here is the volume [indicating].

Mr. JEFFERIS. Then the carriages were completed four days after the claim was filed?

Mr. VAIL. Yes, sir; they were completed afterwards; yes, sir.

Mr. JEFFERIS. Did you assist them in any way in getting up the claims?

Mr. VAIL. The claims?

Mr. JEFFERIS. Yes.

Mr. VAIL. I absolutely knew nothing about it. It was done in Chicago, as I understand. They never consulted me in the world. I hadn't the least idea in the world what the claim of the Standard Steel Co. was going to be.

Mr. JEFFERIS. Did you know what the claim was going to be?

Mr. VAIL. No, sir.

Mr. JEFFERIS. If the claim was filed originally June 24, 1919, how soon was it after it was filed before you and Col. Hughes were talking about it?

Mr. VAIL. Why, I think—I don't remember whether I was in the Chicago office the day it was brought in or not, and they said the Standard Steel Car Co. claim was filed, and I said it was some claim.

Mr. JEFFERIS. It was some claim, wasn't it?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. About \$7,000,000, wasn't it?

Mr. VAIL. Six and a half, as I remember.

Mr. JEFFERIS. Well, did you look at it?

Mr. VAIL. I didn't at that time, but I went back in a day or two, and Col. Hughes and Col. Arison, one or the two, asked me if I would like to read it, and I sat down there and read it; that is, I looked it over in a general way. I was on the road to Hammond, and I looked it over and didn't take any notes, and I think Mr. Blakey was there a few days after, and he and I sat down and looked it over, too; looked at the heading.

Mr. JEFFERIS. Though you didn't have any responsibility about that?

Mr. VAIL. Not at all.

Mr. JEFFERIS. What you were doing was just out of courtesy?

Mr. VAIL. Well, I avoided trying to be a party to it so that I would be free to answer any questions in regard to my work.

Mr. JEFFERIS. I say you had no responsibility for it?

Mr. VAIL. No; absolutely. I was not on the board, and was not even called as a witness.

Mr. JEFFERIS. Well, did you go to Washington at any time after about it?

Mr. VAIL. No, sir; I have never been in Washington on this matter.

Mr. JEFFERIS. And who asked you to attend this meeting down at Hammond?

Mr. VAIL. Why, I was there, that is—I think, if I remember rightly, that a young lady in one of the offices up here, one of the offices, called up and sent for Mr. Church and me to be there, that the delegates from Washington would be there the next day.

Mr. JEFFERIS. Who was this young lady who called you up?

Mr. VAIL. I think it was the secretary in Mr. Russell's office. She generally calls up Hammond—and said that this delegation consisting of Col. Reeves and Col. McFarland—

Mr. JEFFERIS. Did you think that you were to sit on the claims board with them then?

Mr. VAIL. No, sir; I thought I would be free to answer any questions that might be asked me.

Mr. JEFFERIS. How many were there at this meeting in this club-room at the Hammond House?

Mr. VAIL. There was Col. Reeves, of Washington; Col. McFarland; Maj. Duryea—I think he has charge of the finances here; Col. Hughes. I think that is all from outside; they expected this New York—this New York expert on buildings. I have got a card here of his since. I think it is Hodge, is his name, Waller Hodge, of Bower, N. Y. They expected him, but he did not arrive.

Mr. JEFFERIS. That was an informal meeting, wasn't it?

Mr. VAIL. Yes; it was an informal meeting.

Mr. JEFFERIS. Kind of getting together?

Mr. VAIL. Kind of getting together and asking questions; that is all.

Mr. JEFFERIS. The only people you understood had anything to do with the settlement of the claim were Hughes and Arison?

Mr. VAIL. I don't think Arison was down there at that date; I don't think he was there.

Mr. JEFFERIS. Was anybody of the Chicago districts claims board other than Hughes?

Mr. VAIL. There was Maj. Duryea, of the Finance Division.

Mr. JEFFERIS. Was he on the claims board of the Chicago division?

Mr. VAIL. I don't know; I don't know whether he is or not. I think he was asked to represent the finance department.

Mr. JEFFERIS. I wonder where Arison was that day?

Mr. VAIL. I don't know that now. I don't think he was there. Was he there, Smith? Do you remember whether Col. Arison was there on that day?

Mr. SMITH. I think not.

Mr. VAIL. Were you in that meeting? I think you were in there. I don't think Col. Arison was there that day.

Mr. JEFFERIS. Now, there was not any responsibility on you to settle that claim at this time?

Mr. VAIL. Absolutely not; absolutely.

Mr. JEFFERIS. And the only request that you now recall for your presence there, or Mr. Church's either, was this telephone from a lady?

Mr. VAIL. Yes. The telephone, and that these men were coming down, to be there to show them around the plant, to make a survey.

Mr. JEFFERIS. There wasn't any testimony taken or any questions and answers taken down in shorthand?

Mr. VAIL. I don't think I was referred to, or Mr. Church, in that meeting at all. I don't think any questions were asked, just a sort of meeting.

Mr. JEFFERIS. Now, you were told that this committee that was down there had asked you to make a survey or estimate on this salvage value?

Mr. VAIL. I think it is either Col. Hughes or Col. Arison, or probably both of them.

Mr. JEFFERIS. Well, that is pretty indefinite yet; can you remember?

Mr. VAIL. Well, I think more likely it was Col. Hughes; I think more likely it was.

Mr. JEFFERIS. Do you know when that was?

Mr. VAIL. That was—the date of this meeting at Hammond, as I remember was Friday—Friday. Now, one week before that—I think Saturday before that Col. Hughes—or both, I think they were

both together, asked if we would go over and make what we considered a survey or appraisal of that material down there, and they wanted it in the office, I think, Wednesday morning, the following Wednesday.

Mr. JEFFERIS. Now, how long did it take you or Mr. Church to make this survey that you made?

Mr. VAIL. Well, we were practically working on that, and we went right at it the next morning. Monday morning, I think, we went all over the place that we were familiar with, and I think we worked that night and I think the next day.

Mr. JEFFERIS. Well, did you make any figures or memorandum?

Mr. VAIL. Yes; lots of them.

Mr. JEFFERIS. And as I understand it, there was about—loose materials there that cost over \$5,000,000 to the Government.

Mr. VAIL. Well, we didn't take that into consideration. We figured what they were worth; we didn't think it had anything to do with what the material was worth. I think probably it had cost the Government \$5,000,000. Sometimes material cost the Government 17 to 20 cents a pound.

Mr. JEFFERIS. Well, the facilities would probably cost 3,000,000, wouldn't they?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. So that you figured that the \$8,000,000 worth of material on a red-hot forced sale would be about \$947,000, did you?

Mr. VAIL. Of the buildings and everything together?

Mr. JEFFERIS. Well, I see—

Mr. VAIL. Yes; \$947,000.

Mr. JEFFERIS. Did you make any written report to anybody?

Mr. VAIL. I have got a copy here of the report that we gave to Col. McFarland, from Washington. There is my original pencil figures. I have got a copy right here of them.

Mr. JEFFERIS. What is that book you have got there, printed?

Mr. VAIL. That is a claim.

Mr. JEFFERIS. Where did you get that?

Mr. VAIL. I picked that up some place; I think I picked it up in the Chicago office. I will be glad to give it to you. That is their claim that they are considering. [Handing book to Mr. Jefferis.] That is a copy that Mr. Church and I both signed, and will be glad to sign again, as being the best of our judgment. [Indicating a paper.] I want to explain to you about the first item of the scrap there, my price there is taken on net tons which would be some fourteen and a half—which would be sixteen and a half dollars per gross ton perhaps the way scrap is sold.

Mr. JEFFERIS. I see 2,400 tons of steel coal in here.

Mr. GRAHAM. How much?

Mr. VAIL. Laying in the yards and partly been on fire, and I considered that a very liberal offer and after being ruined and slacking generally.

Mr. JEFFERIS. They would have had to do that with almost any coal, wouldn't they?

Mr. VAIL. Well, it was laying on the floor and part of the coal had been on fire and we considered that a very good sale.

Mr. JEFFERIS. Three thousand dollars for 2,400 tons.

Mr. VAIL. Yes, sir; a dollar and a quarter a ton, practically slacked coal.

Mr. JEFFERIS. What does that sell at in Chicago?

Mr. VAIL. I don't know what it is now. Slacked coal, I guess, sells for about \$2 a ton, I don't know.

Mr. JEFFERIS. I notice a thousand barrels of fuel oil that you have got here in tanks.

Mr. VAIL. Yes, sir; that is market value on fuel oil.

Mr. JEFFERIS. How much, 75 cents?

Mr. VAIL. Seventy-five cents a barrel; they have an immense stock of oil; yes, sir; and they put it in there——

Mr. JEFFERIS. Did you confer with the Standard Steel Co. as to what they needed?

Mr. VAIL. Yes, we talked it over with them.

Mr. JEFFERIS. Who did you talk to?

Mr. VAIL. Mr. Jenks and Mr. Corey; very largely with Mr. Jenks. Mr. Corey was not here.

Mr. JEFFERIS. Did they go around with you?

Mr. VAIL. They went around with us and at times when we required them to——

Mr. JEFFERIS. I say when you and Mr. Church were going.

Mr. VAIL. Well, we went around mostly ourselves, usually we compiled the figures and negotiated a little—their estimate was \$800,000; you have got that here, or a copy of it.

Mr. JEFFERIS. They gave you that before you started?

Mr. VAIL. Yes, sir; we raised quite a number of items. We raised it \$147,000.

Mr. JEFFERIS. How did they happen to give you their estimate before you started?

Mr. VAIL. Well, it was kind of knowing what they figured on.

Mr. JEFFERIS. How is that?

Mr. VAIL. I think it was legitimate. I don't think there was any secret about it.

Mr. JEFFERIS. How did you happen to do that?

Mr. VAIL. Well, we asked them for it.

Mr. JEFFERIS. You asked them for it?

Mr. VAIL. I think we asked them for it.

Mr. JEFFERIS. Do you know who you asked?

Mr. VAIL. Yes; asked Jenks.

Mr. JEFFERIS. You asked Mr. Jenks?

Mr. VAIL. Yes; he is the general manager; he is the only man, really, that we had any transaction—that we had there.

Mr. JEFFERIS. Did he have a tabulated report?

Mr. VAIL. Yes, sir.

Mr. JEFFERIS. And gave you a copy of it?

Mr. VAIL. Yes, sir; I may have a copy of his report here. [Witness produces a paper]. Here is some of our work in figures, their estimates and our estimates side by side [indicating].

Mr. JEFFERIS. Why didn't you go out and make an independent investigation of this without their assistance?

Mr. VAIL. I think we did; we probably did make some figures before we got their——

Mr. JEFFERIS. How is that?

Mr. VAIL. I think we had our minds pretty well—pretty well made up on a great many of those things before; but we made this thing very quickly, you know; it was kind of informal, anyway; we were not accountants in any sense of the word, or didn't know anything about the books or cost of this stuff or anything. I suppose we could have got the accounts and got something about this; we were merely asked as practical men what we would consider a practical clean-up on those things.

Mr. JEFFERIS. Done very hastily and quickly.

Mr. VAIL. Hastily and quickly; yes, sir.

Mr. JEFFERIS. After you had got the figures from the car company?

Mr. VAIL. Yes; we accepted some of their figures as a fair estimate. We went at it like three appraisers might—one of them and two of us—but we didn't tell them when we got their figures—we didn't tell them what we were going to report here. They didn't know that; I don't think they know it to this day. I don't think they have ever seen our figures.

Mr. JEFFERIS. Well, then, what did you do up at the meeting at Chicago on the day that this claim was sent here?

Mr. VAIL. Nothing.

Mr. JEFFERIS. Well, were you consulted at all?

Mr. VAIL. No more than to give Col. McFarland a copy of that report.

Mr. JEFFERIS. How did you happen to do that?

Mr. VAIL. He asked me for it, and Mr. Church and I both signed it.

Mr. JEFFERIS. Who was up at that meeting there that day—anybody representing the Steel Car Co.?

Mr. VAIL. I think so. I think Mr. Jenks and Mr. Corey came in that meeting. We were not in the actual meeting.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. Mr. Vail, you say you went into this work as a manufacturing expert?

Mr. VAIL. Yes, sir.

Mr. GARRETT. What had you manufactured?

Mr. VAIL. Before—previous to this?

Mr. GARRETT. Yes, sir.

Mr. VAIL. For two years—I was doing nothing for a couple of years; looking after some investments. Two years before that I was chairman of the Maxwell Co., of New York and Detroit. Eight years before that—previous to that I was general manager of the Fairbanks, Morse & Co., and three years before that I was vice president and general manager for the Allis-Chalmers Co.; before that I was with the Hamilton Corliss Engine Co.

Mr. GARRETT. What did the Fairbanks, Morse Co. manufacture?

Mr. VAIL. More gas engines than anybody else in the United States.

Mr. GARRETT. Were you active in the production end of that?

Mr. VAIL. Always. I was general manager of manufactures.

Mr. GARRETT. You had practical knowledge of the way to make those things?

Mr. VAIL. Entirely.

Mr. GARRETT. You say you entered the service at the instance of Mr. Russell?

Mr. VAIL. Yes, sir.

Mr. GARRETT. Did you seek employment?

Mr. VAIL. No; I was asked by an assistant, Mr. Lyons, I was then with the Shipping Board for a short time and they wanted somebody to go to Hammond, and they picked me, Mr. Church and me. Mr. Church said he would like to have an associate, and he chose Mr. Church and me to go there.

Mr. GARRETT. Had Mr. Church been associated with you prior to that?

Mr. VAIL. While I was New York manager for Allis-Chalmers, he was general superintendent for all the Milwaukee works.

Mr. GARRETT. For the same company?

Mr. VAIL. Same company. We had not been associated for—since 1903.

Mr. CHURCH. Since 1903.

Mr. VAIL. Yes, since 1903. That is 15 years. I don't think I had seen him in that time.

Mr. GARRETT. Did you suggest Mr. Church?

Mr. VAIL. No, sir; the same man that chose me chose Mr. Church. I did not know that Mr. Church was going there until the day I met him at the office and in half an hour we were on the road there to Hammond.

Mr. GARRETT. Were you constantly at the Hammond plant?

Mr. VAIL. Entirely. Slept there very nearly up to the armistice.

Mr. GARRETT. How did you get along with him out there?

Mr. VAIL. Fine. No trouble whatever.

Mr. GARRETT. Never any friction.

Mr. VAIL. Never any friction. It was ironed out, straightened right out.

Mr. GARRETT. He always responded to your requests, did he?

Mr. VAIL. Always, never anything in any conflict—we had a very pleasant settlement.

Mr. GARRETT. Were there ever any requests made by you that were refused by that company?

Mr. VAIL. No, sir.

Mr. GARRETT. Mr. Jenks was active manager of it all the time, was he?

Mr. VAIL. Yes, sir.

Mr. GARRETT. How long had Mr. Jenks been connected with that company, if you know?

Mr. VAIL. I have not the slightest idea, I should judge quite a number of years.

Mr. GARRETT. Had you ever had any association with him before?

Mr. VAIL. Never saw him until the day I went there.

Mr. GARRETT. How old a man was he?

Mr. VAIL. If I should judge the man, I should say 45; maybe 48.

Mr. GARRETT. And you thought that they were really very liberal toward the Government, did you?

Mr. VAIL. I thought that they dealt fairly.

Mr. GARRETT. All through?

Mr. VAIL. I think so.

Mr. GARRETT. Did you ever hear of any trouble on cost accounts that the Government had with him?

Mr. VAIL. They had some controversy at times.

Mr. GARRETT. Did you have any opinion about that?

Mr. VAIL. I did.

Mr. GARRETT. Did you think they treated the Government right in that regard to that?

Mr. VAIL. I think so.

Mr. GARRETT. Do you think the Government representatives were rather officious?

Mr. VAIL. I think so.

Mr. GARRETT. With the people with whom they were working?

Mr. VAIL. I think so.

Mr. GARRETT. Why?

Mr. VAIL. I thought there was a little conflict between the cost accountant and Mr. Jenks. They did not get along very well together. They did not understand one another. I thought there was an inclination to not get together.

Mr. GARRETT. Did you think the Government was not entitled to know what the facts were?

Mr. VAIL. Entirely. I think there was not any information that I knew; of course, it was outside of my department. I never wanted any information that I couldn't get.

Mr. GARRETT. Well, you never wanted any cost information?

Mr. VAIL. No; only in making up this estimate in June or July, 1918.

Mr. GARRETT. Well, you didn't get this cost statement then, did you?

Mr. VAIL. Only material cost. We got that from the purchasing department, but the work to be got—

Mr. GARRETT. Well, don't you say now, and didn't you say just a few minutes ago, that you didn't pay any attention to the cost of the material there?

Mr. VAIL. Well, in making up our estimates as to what it was worth, we didn't take into consideration that it cost \$5,000,000. It may have cost ten million and not be worth anything for salvage.

Mr. GARRETT. Did you, as a matter of fact, know what it did cost?

Mr. VAIL. I think probably at one time I did know, yes; I think we probably had the figures. We probably had the figures. In our estimate we figured on scrap, we didn't take into consideration the original cost very deeply any more than to know that it cost 17 or 18 or 19 or 20 cents per pound, especially the alloy steel.

Mr. GARRETT. Did you know Mr. Russell prior to the time of your employment?

Mr. VAIL. Never met him but once before. I think I met him after he was in the Ordnance Department, never met him before.

Mr. GARRETT. Just what did you do at the plant? Give us the details of it.

Mr. VAIL. Give you the details of what I did at the plant? Mr. Church and I went there both as manufacturing experts and we took a survey of the plant and then a third member of our managing committee, or whatever it is, came. His name is Mr. Field, and at the suggestion of Col. Arison we divided our work up; that is, Mr. Church took the engineering. Mr. Field the personnel of the shop, and I took the material supply, to get the material in touch, a very big end of the work, and I worked night and day on that, and used the telephone and used the wire; we did everything in the world that we could to get that material there.

Mr. GARRETT. So your work was really more with other concerns than it was in Hammond?

Mr. VAIL. From the time I went there up to the 11th of September it was more with these outside concerns to get the stuff in and we had carefully drawn charts of daily records of shipments and amounts that was sent on the ground and everything to get it in, and I make efforts to get it in. Then on the 11th of September, I think, unsolicited, and I was greatly surprised to receive notice from Col. Arison, who was then production chief for this district—we got a letter appointing me chief production officer and assigning Mr. Church as engineering representative, and with the suggestion that Mr. Field remain in charge of personnel. Then I moved into the production office, the office that was there theretofore, and from then on my duties were to approve of prices. I had with me a very good man and very careful, and we approved of purchases that might be made in the way of supplies and tools and anything that might be required, and we also approved all invoices before they were paid; they came to our department for that, and Mr. Field left shortly after that, and Mr. Church and I together took up the personnel of the shop to see that the time was not wasted, that the men were doing their duties, and our duties were anything between the Government and the men of the Chicago office and the Standard Steel Car Co. regarding production. It didn't mean regarding bookkeeping and finances. It didn't mean regarding inspection; that is, Army officer inspection.

Mr. GARRETT. Well, it was part of your duty I suppose to look after the labor situation?

Mr. VAIL. Yes; yes, sir.

Mr. GARRETT. And in a general way, at least, to see that the men were working?

Mr. VAIL. Entirely.

Mr. GARRETT. Do you know how it happened that Col. Hughes requested you and Mr. Church to make this survey that you made there beginning on Monday just before this claim was settled?

Mr. VAIL. Why, I take it that he had been made an offer by the Standard Steel Car Co. of \$800,000, and he wanted to know—he wanted the benefit of our knowledge whether that was a fair and legitimate offer.

Mr. GARRETT. Did he tell you that he had that offer?

Mr. VAIL. I don't remember whether he did or not. I rather think he did tell me that this is what they offered and he said is that a fair offer, and we didn't commit ourselves, but we went to work and figured and we concluded that \$947,000 would be quite a fair offer, and I am not sure but what we nodded our heads when they settled on \$900,000 and thought that that would be, in our judgment, a fair clean up.

Mr. GARRETT. Mr. Vail, how did you happen to ask Briggs & Turvias, or their representatives, to bid on this material—Mr. Reagan?

Mr. VAIL. Reagan was a scrap man, scrap-iron man that had charge of the scrap plant and he had been down there offering to sell this scrap, or buy this scrap, or something, and he saw Mr. Jenks about it and he talked to him. I don't know but what he had talked to me about it, and when we figured this up Mr. Church and I took that into account and we could not see that that material could be

used for anything except scrap; possibly there are some pieces there, some second plates that some man might cut up to make some things out of that they use in legitimate use, in manufacture but there was nothing that we knew of that they could use them for, and we have both had more experience than anybody over there and we did not know of anything that that material could be used for other than scrap, and we also thought it was not very good scrap, smelting scrap I suppose. Now, we got from a lot of publication of a trade journal or something, we got them, and we saw in there that melting scrap was \$19.75 a ton. Now, that means a gross ton. Now, we had made our figures from what we knew in our knowledge of gun carriages and what we shipped out, and what was going to be shipped out and there was a lot of stuff on hand there that was going to be shipped out that has not gone yet. There is some 900 tons that is going yet to the Government out of that pile of scrap. So we figured down that \$14.50 would be a fair price. Now, that was per net ton, figuring per net ton. Now, figuring that into gross tons that would be \$16.30 a gross ton.

Now, I telephoned to Reagan and told him that we were making an estimate, and told him to let me know—I think telephoned him to let me know next morning, the morning that we had to submit the bid, and I went there and talked to Reagan and the manager of the concern. I never heard of them before, and after taking Church there, too, if I remember rightly, and I don't think I am wrong, they said a fair price for stuff of that kind was \$13.50 per net ton. I have got a little memorandum of something of that kind, that they would go to Hammond and look over it. I went there and I didn't put my estimate in. I waited all that forenoon; I didn't hear from them and then I put it in. And then a day or two afterwards I think it was—it may have been Col. Hughes, I think more than likely it was. Do you remember who that was?

Mr. CHURCH. Who was that?

Mr. VAIL. I didn't read the letter myself. It said something—I didn't see any signature or anything, but here is a party that offered 15 per cent of the value of that material—

Mr. GARRETT. My question, if you will pardon me, was how did you happen to go to this concern and ask them to bid?

Mr. VAIL. Well, I knew of Reagan; in fact, I did not know what concern would bid. I knew Reagan as having been in the service as being a scrap man.

Mr. GARRETT. Now, just what was the purpose in asking him to bid?

Mr. VAIL. Well, I wanted to—I didn't ask him to bid. I had no idea; I was not selling anything; I had nothing to sell. I merely wanted to get the benefit of his knowledge in making an unbiased estimate. If he had offered me anything, I had nothing to sell. I just wanted to get his knowledge. I believe he asked me there if I was in position to sell it, and I said I didn't know anything about it.

Mr. GARRETT. You knew at the time of this meeting at Hammond, when Col. Reeves and Col. McFarland came out, that this firm had bid, didn't you?

Mr. VAIL. I was told so, or I was told so in a letter.

Mr. GARRETT. You knew that they had bid 15 per cent of cost, didn't you?

Mr. VAIL. I didn't know that. I heard that. That it was 15 per cent—as he said here to-day 15 per cent. It was a percentage. And I did not understand that it was a bid; that is, a bonafide bid.

Mr. GARRETT. Did you understand that they had written two letters?

Mr. VAIL. I didn't know anything about it at all.

Mr. GARRETT. Then you did have some sort of information.

Mr. VAIL. Some kind of information that something was said about a percentage bid on the material.

Mr. GARRETT. Did you tell Col. McFarland or Col. Reeves about that?

Mr. VAIL. I don't remember whether I did or not?

Mr. GARRETT. Was the salvage question discussed at considerable length in that meeting?

Mr. VAIL. No; I don't think it was. I don't think it was. I think that—I think that I probably discussed it with Mr. Blakey, the cost accountant there. I think he went through the shops with me and I think that I may have shown the estimate to Blakey.

Mr. GARRETT. Why didn't you say something about that there?

Mr. VAIL. Well, I was only given such information as I was asked for. I was not a member of the committee in any way.

Mr. GARRETT. I understand that, but you were all in there together.

Mr. VAIL. Yes, sir.

Mr. GARRETT. My question was, was anybody there—in there representing the Government?

Mr. VAIL. Yes, sir.

Mr. GARRETT. Supposed to be protecting the Government's interests?

Mr. VAIL. What would I say?

Mr. GARRETT. What is that?

Mr. VAIL. What would I say? Would I say don't sell this to the Standard Steel Car Co. or to somebody else?

Mr. GARRETT. I don't know.

Mr. VAIL. I would not know what to say.

Mr. GARRETT. You did know that something in the nature of a bid had been made by this Briggs & Turvias Co.?

Mr. VAIL. Yes; sure; I heard the men in the Chicago office say that they would give half a million dollars for it; I heard a man in the office say that, and borrow the money—they had nothing.

Mr. GARRETT. Did you know anything about Briggs & Turvias's firm?

Mr. VAIL. Not a word.

Mr. GARRETT. Did you ever take the trouble to find out about them?

Mr. VAIL. Never inquired. I was not doing anything especially about it. I merely asked Reagan because I knew he was in the service.

Mr. GARRETT. As to their responsibility?

Mr. VAIL. No; except the question of \$13.50 a ton, which he said there in the office he considered a good price.; he wrote a letter to somebody in the Chicago office.

Mr. GARRETT. So he didn't answer you then at all?

Mr. VAIL. No; I got no communication from Briggs, any more than a statement there that he considered \$13.50 a ton a price for that scrap.

Mr. GARRETT. That is not what he said in that letter?

Mr. VAIL. I don't know. That letter was not addressed to me; I don't know what it says.

Mr. GARRETT. You didn't think anything about it; didn't take that into consideration, did you?

Mr. VAIL. No; I had already made my report, and did not take that into consideration—made and signed and handed in my report. No; I would not go and pull it out.

Mr. GARRETT. Let me ask you, as a matter of fact, if Col. Reeves did not preside over that meeting, being the senior officer present?

Mr. VAIL. Yes; I think very likely he did.

Mr. GARRETT. Wasn't there a sort of vote taken down there—everybody invited to express their opinions on these different questions as they came up and everybody present?

Mr. VAIL. I think there was a vote; I didn't vote. I was not a member of the committee. I think they took a vote, if I remember rightly.

Mr. GARRETT. Well, Mr. Vail, I guess the right idea about it now. Let us see, I want to be perfectly fair about it.

Mr. VAIL. Yes, sir.

Mr. GARRETT. I get the impression that you did not interest yourself; you had found out what this material was really worth?

Mr. VAIL. I surely did; I surely did.

Mr. GARRETT. Well, now, what did you do?

Mr. VAIL. Well, I got the quotations in the paper and I sized it up as a scrap proposition.

Mr. GARRETT. Well, you conferred with Reagan?

Mr. VAIL. Yes.

Mr. GARRETT. Knowing he was with this concern?

Mr. VAIL. I did.

Mr. GARRETT. That was purchasing this very material.

Mr. VAIL. I did.

Mr. GARRETT. Not hearing from him directly.

Mr. VAIL. I did hear from him.

Mr. GARRETT. You did hear from him?

Mr. VAIL. He told me verbally \$13.50, in his office that morning; he said \$13.50 a ton; but he would look it over and let me know.

Mr. GARRETT. But he didn't let you know?

Mr. VAIL. No.

Mr. GARRETT. You didn't pursue it any further?

Mr. VAIL. No.

Mr. GARRETT. It did develop that he did look it over?

Mr. VAIL. Yes, sir.

Mr. GARRETT. And he did address a letter to the claims board?

Mr. VAIL. Yes, sir.

Mr. GARRETT. But you didn't try to look it up any more after he told you that morning \$13.50 a ton?

Mr. VAIL. Yes, sir.

Mr. GARRETT. Then he said expressly that they would look it over?

Mr. VAIL. Yes, sir.

Mr. GARRETT. And he and some one else from his firm went down there that day and looked it over didn't they?

Mr. VAIL. Yes, sir; I believe they did.

Mr. GARRETT. And then they made a bid which amounted to 15 per cent?

Mr. VAIL. That is what I understood.

Mr. GARRETT. Probably \$750,000?

Mr. VAIL. Yes, sir.

Mr. GARRETT. And it was sold to this company—this Standard Steel Co.—for \$300,000?

Mr. VAIL. I believe so; yes, sir.

Mr. GARRETT. Apparently upon your recommendation alone—yours and Mr. Church's?

Mr. VAIL. Well, I don't know.

Mr. GARRETT. So far as this record discloses, you are the only gentleman who made any estimates down there?

Mr. VAIL. Yes, sir.

Mr. GARRETT. Other than the Briggs & Turvias people. When was it that Col. Hughes talked with you about this bid?

Mr. VAIL. I don't remember.

Mr. GARRETT. Was that at the time that you filed your estimate with him?

Mr. VAIL. Before that, I guess. You mean asked us to make the estimate?

Mr. GARRETT. No; you have stated that Col. Hughes told you something about this Briggs & Turvias bid being in?

Mr. VAIL. I think he told me that down at Hammond; I am not sure.

Mr. GARRETT. On that day?

Mr. VAIL. Just before they went into the meeting—before they went into the meeting.

Mr. GARRETT. What did he tell you about it, do you remember?

Mr. VAIL. Why, he said that Palmer had received a letter from Briggs & Turvias, and that they offered a certain percentage on the original material that went into the product and I don't remember—

Mr. GARRETT. He told you what percentage, did he?

Mr. VAIL. I don't remember that; I don't remember. I heard 15 per cent here to-day, and I don't remember that.

Mr. GARRETT. Well, didn't you say a while ago—

Mr. VAIL. Well, I believe he did. Fifteen per cent—you and I talked it over [indicating Mr. Church], and I said some of it is worth 17 or 18 cents a pound, and that would be 3 cents a pound.

Mr. GARRETT. When he told you 15 per cent there what did he tell you?

Mr. VAIL. I don't remember.

Mr. GARRETT. Didn't you say here a while ago in answer to Mr. Graham and Mr. Jefferis, one of these gentlemen, that you regarded that as a fair bid?

Mr. VAIL. Well, I may have said so.

Mr. GARRETT. You did so regard it, didn't you?

Mr. VAIL. It looked to me like—that is getting back to the bids, because—

Mr. GARRETT. And you told Col. Hughes that it was a foolish bid?

Mr. VAIL. I don't remember whether I did or not.

Mr. GARRETT. Well, you said so a while ago.

Mr. VAIL. I don't remember. I probably did.

Mr. GARRETT. And you told him that without investigating in any sort of way as to the financial responsibility of Briggs & Turvais?

Mr. VAIL. I had no opportunity to investigate and was not asked to investigate.

Mr. GARRETT. He asked your office about it, didn't he? How did he happen to tell you about that 15 per cent bid?

Mr. VAIL. I don't remember. I don't think he asked my office about that 15 per cent bid.

Mr. GARRETT. What did he say about it?

Mr. VAIL. He had a letter—I don't remember who was there or anything; he said, "Here is Briggs & Turvais's offer of so much per cent on the material that went into the product of these pieces." and somebody says, "Where do the products start? Will they start at the mine or start at the drop forge?"—

Mr. GARRETT. Who said that, do you remember?

Mr. VAIL. I don't remember that.

Mr. GARRETT. You don't recall who was with you when Mr. Russell showed you the letter?

Mr. VAIL. Mr. Russell didn't show it to me.

Mr. GARRETT. I mean Col. Hughes.

Mr. VAIL. I think Mr. Church was along.

Mr. CHURCH. No; I was not up there.

Mr. VAIL. Wasn't it up there at the shop?

Mr. CHURCH. I never saw the letter; I don't know anything about that.

Mr. GARRETT. Did Col. Hughes hand you the letter?

Mr. VAIL. No; I don't believe he did.

Mr. GARRETT. Did he read it to you or in your presence?

Mr. VAIL. No; I don't believe he did.

Mr. GARRETT. What other items in this settlement did you advise about other than salvage?

Mr. VAIL. Nothing.

Mr. GARRETT. Well, I guess that is all.

Mr. GRAHAM. I have a few questions here that I had forgotten to ask this witness. Do you know, Mr. Vail, that the Watertown Arsenal was making these same carriages for \$29,000 at the time that you were in conference with Col. Hughes and others about the cost of production?

Mr. VAIL. I did not.

Mr. GRAHAM. Have you learned it since?

Mr. VAIL. No, sir; and I don't believe it either.

Mr. GRAHAM. Now, what makes you believe that?

Mr. VAIL. I don't know. You don't think they are making them for \$29,000 at the arsenal, do you?

Mr. CHURCH. No.

Mr. GRAHAM. I am asking you.

Mr. VAIL. Well, the way I understand they do work at the arsenals, I would hardly think it possible.

Mr. GRAHAM. You answer the questions. And then you undertake to make the remark that you don't think they do when you don't know anything about it.

Mr. VAIL. No; I don't know anything about it.

Mr. GRAHAM. Then, why don't you withdraw that?

Mr. VAIL. I will withdraw that. I have not the least idea what they make them for.

Mr. GRAHAM. Let me ask you something else. Did you have anything to do with the settlement with this company with the Standard Electrical Contracting Engineering Co.?

Mr. VAIL. Nothing whatever.

Mr. GRAHAM. You don't know anything about them?

Mr. VAIL. Well, I heard the history of it. It was let before my time and stopped shortly before I went there.

Mr. GRAHAM. Did you know Maj. Goddard?

Mr. VAIL. There was a Maj. Goddard out here from Washington.

Mr. GRAHAM. Did Maj. Goddard ever appoint you and a Mr. Dwyer to confer jointly with engineers selected by the Standard Steel Car Co. to determine the probable cost of the work of the Standard Electric Engineering Co.?

Mr. VAIL. No, sir.

Mr. GRAHAM. If he did ever appoint you, you were never called in consultation about it?

Mr. VAIL. No; I was in one or two conferences in the cancellation and settlement of the thing, but nothing officially.

Mr. GRAHAM. About that particular contract?

Mr. VAIL. About that particular contract. Dwyer made a report on it from the Chicago office.

Mr. GRAHAM. Did you concur in that report?

Mr. VAIL. Not at all.

Mr. GRAHAM. Were you asked anything about that?

Mr. VAIL. Not in an official way; no.

Mr. GRAHAM. Where is Maj. Goddard?

Mr. VAIL. I don't know; I never heard of him since.

Mr. GRAHAM. He is not around Chicago to your knowledge?

Mr. VAIL. No; I don't think so. I think he came from Washington.

Mr. GRAHAM. Is there anybody here that does know about that particular settlement, any of these gentlemen?

Mr. VAIL. Not unless Mr. Miller does or Mr. May.

Mr. GRAHAM. Well, I think that is all.

Mr. GARRETT. Mr. Vail, the original contract was for 964 on these carriages?

Mr. VAIL. The Government order; yes, sir.

Mr. GARRETT. Can you tell me what percentage of advancement on the work had been made, on the total number at the time of the signing of the armistice?

Mr. VAIL. You mean the money advanced?

Mr. GARRETT. No; I mean the state of the carriage—

Mr. VAIL. At the signing of the armistice?

Mr. GARRETT. Yes.

Mr. VAIL. Well, as I said before, there was only one carriage actually finished, but there was an immense amount of work done.

Mr. GARRETT. That is what I want to know.

Mr. VAIL. Now, that plant had been running—I went there the 17th of June—it had been running a couple of months then. and I suppose they averaged in that time about 2,000 men, 2,000 men for some seven months, so there was no doubt considerable work done on parts, but I could not give it in dollars and cents. There was

only one actual carriage made at that time—that is, actually finished—and it could not be shipped because they were waiting on the rest—

Mr. GARRETT. After they got into production from the beginning to end of one of those carriages, about how long would it take?

Mr. VAIL. Why, we made—of course, that is a long experiment, because this pressing station was done last summer—

Mr. GARRETT. I mean the work in that plant at Hammond.

Mr. VAIL. They turned out 30 carriages in one week, the biggest week they ever made.

Mr. GARRETT. That don't mean that 30 carriages were made in a week's time?

Mr. VAIL. No.

Mr. GARRETT. What I would like to know is what would be the production in a given time?

Mr. VAIL. Yes.

Mr. GARRETT. And how long it took from the beginning with the materials as placed in the factory until the completed carriage was turned out; I don't mean now, including the regular process of housing, but how long—

Mr. VAIL. Some of that material came in there in May for the gun carriages that were shipped the following May. Now, for instance, if the material was all out here—it comes in and it is pressed, and in some cases it is filed off and the parts come in from the special tracks. Now, it may be this, if everything was clear when we made the 30 carriages per week with the material laid on the ground; I think we could do that right along.

Mr. GARRETT. You mean the raw material?

Mr. VAIL. Now, from the raw material, no; but from the assembled parts. Now, there is lots of these parts that went on the ground that went to make up these carriages on the 28th day of June that was received there a year previous or in May of the year previous, so it is very hard to tell that, and there are other parts that had not been received in that plant for 30 days. If the thing started along, if you manufactured everything I would say that in the course of 30 days that that would cover it. That would have been a possibility.

Mr. GRAHAM. Mr. Vail, when you went there on the 17th of June, 1918, was there any buildings completed?

Mr. VAIL. Yes, sir; practically all completed. Well, the warehouse, the concrete works was not completed; they gave \$35,000 for that.

Mr. GRAHAM. The actual plant for the manufacture of these carriages was completed?

Mr. VAIL. Practically.

Mr. CHURCH. There was no flooring in. There was a lot of places that there was no floors in. They were finished up. I would say that that could be finished—the concrete work—in 30 days or six weeks after we went there—in that time the plant was practically completed.

Mr. GRAHAM. Then you think it was completed by the 1st of August, 1918?

Mr. VAIL. I think so, except the warehouse, which, of course, was not used much until the Government just started to come in there.

Mr. GRAHAM. Then, as a matter of fact, until the buildings were completed they hadn't done anything on the manufacture of these carriages, had they?

Mr. VAIL. They were making parts.

Mr. GRAHAM. Whereabouts?

Mr. VAIL. Oh, the main buildings were all through and, as a matter of fact, there were a lot of buildings there. You know the Standard Steel Car Co. furnished a lot of buildings; there were only some additional buildings built by the Government for the manufacturing, and all the fabricating was done mostly in buildings that had already been there.

Mr. GRAHAM. Hadn't they spent the time from November, 1917, to August, 1918, building buildings rather than manufacturing carriages?

Mr. VAIL. Well, a lot of the time was taken in building buildings, but I think the manufacturing started in—when did it start? When did you start manufacturing? In April. About in April, I should judge; they started in manufacturing; fabricating, in other words.

Mr. GRAHAM. As I understand, Mr. Vail, from the claim of the claimant, these were the buildings that were built at the plant [indicating a drawing in claimant's claim].

Mr. VAIL. Yes, sir; these marked here were built—that one there, that one there, this one there, and this paint shop was there, but it burned down and it was rebuilt [indicating].

Mr. GRAHAM. There is apparently the main office building [indicating]?

Mr. VAIL. Yes, sir.

Mr. GRAHAM. Erection shop, then provision storage, oil storage, boiler house, employment office, and police building, bus garage, cafeteria, and pattern storage.

Mr. VAIL. Yes, sir.

TESTIMONY OF MR. FRANCIS D. HANNA.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name, Mr. Hanna?

Mr. HANNA. Francis D. Hanna.

Mr. GRAHAM. Where do you live?

Mr. HANNA. 4608 Dover Street, Chicago.

Mr. GRAHAM. Are you employed by the Government at this time?

Mr. HANNA. Yes, sir.

Mr. GRAHAM. In what capacity?

Mr. HANNA. As agent for the Military Intelligence Department or intelligence division.

Mr. GRAHAM. How long have you been working for the Government?

Mr. HANNA. Since July last year.

Mr. GRAHAM. And prior to that were you in the Government employ?

Mr. HANNA. No, sir.

Mr. GRAHAM. Have you been in the military intelligence all the time?

Mr. HANNA. Yes, sir.

Mr. GRAHAM. In connection with the Military Intelligence work, have you had some investigations of the claim of the Standard Steel Car Co.?

Mr. HANNA. Not of the claim.

Mr. GRAHAM. You have of some of the operations of some of the Government officials connected with it?

Mr. HANNA. Yes, sir.

Mr. GRAHAM. And others as well, I presume?

Mr. HANNA. Yes, sir.

Mr. GRAHAM. Do you have charge of the office, Mr. Hanna?

Mr. HANNA. I have charge of what is known as the graft and fraud sections.

Mr. GRAHAM. How long have you been in charge of that?

Mr. HANNA. Ever since last July; that is, a year ago.

Mr. GRAHAM. And I had you a copy of a telegram which appears in the files in this case, and ask you to look at it and tell us whether you have seen that telegram before?

Mr. HANNA. I have.

Mr. GRAHAM. Is that a copy of a telegram which was sent by Maj. Crockett at the head of your department?

Mr. HANNA. It was sent through our section.

Mr. GRAHAM. Who was this Crockett that is signed here?

Mr. HANNA. Maj. Crockett is the department intelligence officer in general charge of all intelligence operations in the central department.

Mr. GRAHAM. Well, I will put this telegram in the record at this place.

(The telegram referred to is as follows:)

WAR DEPARTMENT, OFFICE OF THE CHIEF OF STAFF,
MILITARY INTELLIGENCE DIVISION,
Chicago, Ill., October 7, 1919.

MILSTAFF, Washington:

No. 482, October 7.

Re telegram October 6. Your 10104-548 M. I. 13, Col. Hughes says he knows nothing about offer of \$500,000 for salvage. He says figures given by Blakey in eight items are correct, but conclusions drawn from them are those of a scatter-brained account who is not conversant with the negotiations that determined the board's action. Col. Hughes declines to refute Blakey's charges item by item because it could not be done in a statement. The answer is in minutes of meetings available in Washington and Chicago.

CROCKETT.

Mr. GRAHAM. Now, Mr. Hanna, this telegram refers to an offer of a considerable amount of money for salvage of some of the materials that was at the plant of the Standard Steel Car Co. at Hammond, Ind., and refers to a conversation which some one in your office had with Col. E. S. Hughes relative to that matter. Did you have any conferences with Col. Hughes at about the time that this settlement was being made with the Standard Steel Car Co. about salvage?

Mr. HANNA. The conference that is referred to in that telegram was a conference of Col. Hughes with Capt. Day, who is here. I happened to take that statement at that time. Also of that same section.

Mr. GRAHAM. I think in that case we will withdraw you temporarily and let Capt. Day testify.

TESTIMONY OF CAPT. ROGER S. DAY.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name?

Capt. DAY. Roger S. Day.

Mr. GRAHAM. You are captain of what department?

Capt. DAY. I was commissioned captain of Infantry, but I am serving in the Intelligence Department.

Mr. GRAHAM. How long have you been in the Army?

Capt. DAY. Since April 9, 1917.

Mr. GRAHAM. Have you been located in Chicago all the while?

Capt. DAY. No, sir.

Mr. GRAHAM. Have you been in the Military Intelligence all the while?

Capt. DAY. No, sir.

Mr. GRAHAM. How long have you been in that arm of the service?

Capt. DAY. I was in command of troops one year, and have been in the Intelligence since September, 1918.

Mr. GRAHAM. We have been referring in our examination of Mr. Hanna to a telegram which I presume you have seen, signed "Crockett." In that telegram reference is made to a conversation that has been had with Col. E. S. Hughes relative to a supposed salvage offer on the material that the Standard Steel Car Co. complained of. Did you have a conference with Col. Hughes about that time about that matter?

Capt. DAY. Yes, sir.

Mr. GRAHAM. Where was the conference?

Capt. DAY. In my office.

Mr. GRAHAM. In Chicago?

Capt. DAY. In the Army Building.

Mr. GRAHAM. Yes. What did Col. Hughes tell you at that time relative to whether an offer had been made aside from the offer of the Standard Steel Car Co. for that salvaged material?

Capt. DAY. Just let me read the telegram. I have not seen it.

Mr. GRAHAM. Yes. [Handing telegram to Capt. Day.]

Capt. DAY. In regard to that salvage, this offer of \$500,000 he said he knew nothing about it.

Mr. GRAHAM. Did you tell him in the conversation who you understood had made such an offer?

Capt. DAY. I think I simply quoted Blakey, and he made a remark, I think, "I don't know what you are talking about," and then passed it off with the statement that, "I can not discuss this thing in detail, because the settlement is described by minutes of meetings that covered several weeks, and I can not in a few moments conversation give you an intelligent idea." That was about the method of his conversation.

Mr. GRAHAM. Did he seem to be angry or excited about the matter?

Capt. DAY. Well, I think he rather resented the activity of the Intelligence Department in the matter.

Mr. GRAHAM. He acted like he thought he could get along without your assistance?

Capt. DAY. Yes.

Mr. GRAHAM. And following that conversation you wired to Washington, was it?

Capt. DAY. Yes, sir; Director of Military Intelligence.

Mr. GRAHAM. Yes. Had there been some inquiry from Washington about that particular thing?

Capt. DAY. This particular interview was directed from Washington.

Mr. GRAHAM. By your chief?

Capt. DAY. Yes, sir. In other words, they wanted to know in Washington what Col. Hughes's reply was to the charges made by Blakey in the Chicago Tribune item by item.

Mr. GRAHAM. And when you went to Col. Hughes that is the answer he gave you?

Capt. DAY. Yes; practically he declined to discuss it in an interview of that sort. He said it was impossible, and that if we wanted the information we could get it from the minutes of the various meetings of the various boards who had considered the claim.

Mr. GRAHAM. Did you ever talk to him again, Captain, about that matter?

Capt. DAY. I had two conversations with him—perhaps three, I guess; yes; three.

Mr. GRAHAM. What was the substance of those conversations?

Capt. DAY. The first one was in the offices of the Ordnance Department. Mr. Russell did most of the talking on that occasion, but Col. Hughes, as his successor, was present. You want the substance of that conversation?

Mr. GRAHAM. State the substance of what occurred there.

Capt. DAY. The remark was made that Blakey's charges were not to be trusted; that he had a point of view that was limited to figures.

Mr. GRAHAM. He made that charge—that statement?

Capt. DAY. The statement was made by Mr. Russell.

Mr. GRAHAM. Yes.

Capt. DAY. And that this settlement was not based upon audits, but was in fact a settlement by negotiation; that Blakey had information from the point of view of the accountant, but lacked a good deal of information that the boards were possessed of. Emphasis was laid upon the fact that not only had the award been approved of by the Chicago—the district claims board, but also by the Ordnance board at Washington and the claims board for the War Department.

Mr. GRAHAM. Was anyone else there except you three?

Capt. DAY. Mr. Hanna was there and Mr. Vail was there for part of the time—part of it. That was the substance of the first conference we had.

Mr. GRAHAM. Did Mr. Vail take any part in it?

Capt. DAY. He was referred to by Mr. Russell on one or two occasions to confirm statements that he made.

Mr. GRAHAM. And he substantiated what Mr. Russell claimed?

Capt. DAY. Yes, sir.

Mr. GRAHAM. Now, then, the other interviews that you were at, Captain, what happened?

Capt. DAY. The other interview of any importance was the one that I referred to in connection with this telegram, where I sought the interview by the direction of the Director of Military Intelli-

gence and where Col. Hughes declared that it would be impossible for him to give the information required within the limits of a statement; that the information was obtainable from the minutes of the various meetings of the boards.

Mr. GRAHAM. Well, he also denied, did he not, that he knew any such salvage offer as Blakey had mentioned?

Capt. DAY. I think he maybe did in so many words, and then he modified that a little later by saying that—he dismissed it as a trivial affair. He said that it was only for a portion of the salvage, and they could not afford to take the time to take out a small portion of it when he had a lump-sum offer that would clear it up by the one company. He made the same statement, that he knew nothing about this \$500,000 offer.

Mr. GRAHAM. Do you want to ask him anything, gentlemen?

Mr. JEFFERIS. What was your other conversation, Mr. Day?

Capt. DAY. Very informal. I think the first three or four words he made the remarks, "What are you doing down here?" or "How is things getting along?" or words to that effect. Just an informal conversation. It was not an official interview.

Mr. JEFFERIS. On this first conversation, how did it happen that you had a conversation with three of them—Russell, Hughes, and Vail?

Capt. DAY. The Intelligence Department had had a number of conferences with the Ordnance Department with reference to this entire contract earlier in the spring, and it was contemplated at one time that the occurrence of the Ordnance Department, that a probe should be made of this entire affair. That was in March.

Mr. GRAHAM. That a what?

Capt. DAY. That was in March. That a probe.

Mr. GRAHAM. A probe?

Mr. JEFFERIS. A probe?

Capt. DAY. A probe of the Standard Steel Car Co. should be made. What was your question, sir?

Mr. JEFFERIS. How you happened to have this conversation with these three, this trio—Vail, Russell, and Hughes?

Capt. DAY. We sought the conference for an explanation of these charges by Blakey in the Tribune.

Mr. JEFFERIS. Who did you ask to have the conference with?

Capt. DAY. With the members of the claims board; that was the conference that we sought.

Mr. JEFFERIS. Now, how did you ask for that conference—by phone?

Capt. DAY. By phone; yes.

Mr. JEFFERIS. Who did you ask, Capt. Day? Who did you speak to?

Capt. DAY. I think that Mr. Hanna arranged the conference with Mr. Russell, was it not, Mr. Hanna?

Mr. HANNA. Yes, sir.

Mr. JEFFERIS. Well, anyhow, when you got over there the three men that were there to receive you were Vail, Hughes, and Russell?

Capt. DAY. Mr. Russell and Mr.—Col.—Hughes, and Mr. Vail coming in later.

Mr. JEFFERIS. Do you know whether they sent for Mr. Vail or not?

Capt. DAY. I do not know.

Mr. JEFFERIS. Who was there when you got there?

Capt. DAY. Mr. Russell, Col. Hughes are the only names that I recall. There may have been one or two others in the room. The secretary was there, this woman secretary.

Mr. JEFFERIS. Did they wait for Hughes before you had—or for Vail, before they had this conference?

Capt. DAY. No, sir.

Mr. JEFFERIS. You were having the conference with them when Mr. Vail came in?

Capt. DAY. Yes, sir.

Mr. JEFFERIS. Was anything said there to show you that he had been sent for?

Capt. DAY. Nothing.

Mr. JEFFERIS. Did they ask him to participate in it?

Capt. DAY. They referred to him for confirmation of remarks.

Mr. JEFFERIS. Now, just what did Mr. Russell and Mr. Hughes tell you there, and Vail?

Capt. DAY. Col. Hughes took very little part in the conversation. Mr. Russell explained that this was a settlement by negotiation, and that in the opinion of himself and Col. Hughes, Blakey was a scatter-brain, and his statements were not to be considered seriously, because he was informed only with reference to figures.

Mr. GRAHAM. Who said this, Mr. Jefferis?

Mr. JEFFERIS. Russell.

Capt. DAY. Mr. Russell said this, that the claim had been settled, not upon the basis of an audit; that it had been passed by the various boards, and therefore was trustworthy, the idea being, in my opinion, to convince the intelligence department that there was no reason for being greatly concerned by the statements of Blakey.

Mr. JEFFERIS. Did you ask him in any way, Captain, what members of the claims board had passed on this settlement?

Capt. DAY. I did not ask, but he said that all three claims boards had passed it. I asked no questions as to the meetings, as to who were present at the meetings. The statement was made by Col. Hughes that the entire record was available to us in the minutes of these meetings.

Mr. JEFFERIS. What did Mr. Russell appeal to Mr. Vail to substantiate, if you remember?

Capt. DAY. I think it was with reference to the scrap, to the salvage, and in general "it was a fair settlement, wasn't it, Mr. Vail? You have had considerable experience. It is a fair settlement, wasn't it?" He just referred to it two or three times like that.

Mr. JEFFERIS. Of course, Mr. Vail always agreed, did he?

Capt. DAY. Yes; Vail was agreed with Russell.

Mr. JEFFERIS. Did you ask whether Mr. Vail was on the board or not?

Capt. DAY. No, sir.

Mr. JEFFERIS. Did you know whether he was on or not?

Capt. DAY. I knew that he was not. At least, I presumed so.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. There are one or two other questions which I presume I had better ask while Capt. Day is here.

I have before me a letter—a copy of a letter, which I have obtained from the files, and which refers to a letter from E. A. Russell to the

ordnance district board. Do you have a copy of the letter referred to in that file, Captain? In your records?

Capt. DAY. Yes, sir.

Mr. GRAHAM. Can you produce it here so that we can see it?

Capt. DAY. Yes, sir.

Mr. GRAHAM. You do not have it with you now, do you?

Capt. DAY. No, sir; I can produce it to-morrow morning.

Mr. GRAHAM. Well, I wish you would bring a copy of it here to the hearing in the morning. Can you now give the substance of the letter?

Capt. DAY. Yes, sir.

Mr. GRAHAM. I wish you would give us the substance of it as nearly as you can.

Capt. DAY. Well, I started off in my previous testimony leading up to it. In March there were a number of conferences between the Intelligence Department and the Ordnance Department with reference to the conditions at Hammond, and it was agreed by all parties that it was essential that a very thoroughgoing probe be made of the conditions there. A letter was addressed to the Director of Military Intelligence recommending that such a probe be made, even though it cost \$50,000. It might save a million, the statement was made. In the latter part of June, if my memory serves me correctly, letters were received by the Military Intelligence Department from the Ordnance Department stating that the Ordnance Department was fully possessed of all the information concerning irregularities, and that in their opinion cooperation, further cooperation of the Military Intelligence Department was no longer necessary.

Mr. GRAHAM. Do you know who that letter was signed by?

Capt. DAY. I believe that was signed by Mr. Russell. I can confirm that in the morning.

Mr. GRAHAM. All right. Do so at that time. Then what happened about the investigation?

Capt. DAY. The department intelligence office concurred in that opinion partly because we had no reason to believe that the Ordnance Department would not protect the interests of the Government and partly because on account of the policy of retrenchment our office was largely robbed of its personnel; we had neither funds nor persons to conduct an investigation that this would require. Therefore, we let the matter rest for some time.

Mr. GRAHAM. But you did not come to that conclusion because you thought there was nothing to investigate?

Capt. DAY. No, sir.

Mr. GRAHAM. It was rather a matter of finances?

Capt. DAY. It was partly, yes; and partly because we supposed that that letter meant just what it said.

Mr. GRAHAM. And in that matter, if the Ordnance Department wanted no further investigation that would be the end of it, wouldn't it?

Capt. DAY. Well, not necessarily. If the Ordnance Department did not want an investigation and we had reason to believe that there was anything wrong with the Ordnance Department, why, we would not be governed by the Ordnance Department.

Mr. GRAHAM. Oh, not necessarily, but then you would want to be directed from headquarters to proceed in such case, wouldn't you?

Capt. DAY. No, sir. The Ordnance Department would have no influence with us whatever.

Mr. GRAHAM. You would have a right to go ahead, anyhow?

Capt. DAY. The Military Intelligence Department is a very free agent.

Mr. GRAHAM. You operate, as I understand, directly under the Inspector General, do you?

Capt. DAY. Have nothing to do with the Inspector General.

Mr. GRAHAM. Who is your superior officer?

Capt. DALY. Director of Military Intelligence at Washington.

Mr. GRAHAM. And he is a separate department, is he?

Mr. GRAHAM. Maj. Tewksbury?

Capt. DAY. Gen. Churchill.

Mr. GRAHAM. Gen. Churchill. Capt. Day, did you at one time take an examination of Col. Hughes in connection with this matter in writing?

Capt. DAY. Yes, sir.

Mr. GRAHAM. Do you have a copy of it with you?

Capt. DAY. No, sir. Have it in the files.

Mr. GRAHAM. Can you bring one here in the morning?

Capt. DAY. Yes, sir.

Mr. GRAHAM. Did you also take a statement of Col. Arrison?

Capt. DAY. I did not; no, sir.

Mr. GRAHAM. Who did?

Capt. DAY. I do not know.

Mr. GRAHAM. You know there is one in your files, do you?

Capt. DAY. I am not certain. We have a very elaborate file.

Mr. GRAHAM. Captain, have you ever found any interference of any kind in your examination, so far as you have gone on this particular matter; have you ever found that there was any interference on the part of anyone?

Capt. DAY. Interference?

Mr. GRAHAM. Yes; in your prosecution of that matter.

Capt. DAY. You mean in my investigation?

Mr. GRAHAM. Yes.

Capt. DAY. No, sir.

Mr. GRAHAM. Well, I wish you would look through your files and bring that statement of Col. Hughes with you in the morning.

Do you want to ask him any questions any further, either of you gentlemen?

Captain, is this a copy of the interview of your department had with Col. Hughes [handing to Capt. Day]?

Capt. DAY. Yes, sir.

Mr. GRAHAM. We will let that go into the record, then, at this place, in connection with your testimony.

Capt. DAY. I conducted that interview myself.

(The interview referred to is as follows:)

DEPARTMENT INTELLIGENCE OFFICE.

Chicago, Ill.

REPORT.

Person: Reported by Capt. R. S. Day (M. L. M.).

Subject: Standard Steel Car Co., Hammond, Ind.

Offense charged: Place, Chicago, Ill., October 7, 1919.

Statement by Col. E. S. Hughes:

Q. What is your name, rank, and position?—A. Col. E. S. Hughes, Ordnance Department, Ordnance district chief, Chicago District Ordnance Office.

Q. Your former station?—A. Washington, D. C.

Q. Blakey has made the statement that the claims board received an offer of \$500,000 for a part of that salvage which was released to the Standard Steel Car Co. for \$200,000. Is that statement correct?—A. I don't know what you are talking about. That is something I have never met. We had received a salvage offer from the Standard Steel Car Co. for all of the material, machinery, and facilities at their plant of \$800,000, which was later increased to \$900,000.

Q. Were either of the claims boards in Washington, that is, the Ordnance board and the board of the War Department, told that this settlement had been made upon an audit finding of the claim?—A. They were. Both of them were.

Q. That the claim had been settled upon an audit?—A. Where an audit could be made, it had been made.

Q. Who is the man on this board named McFarland?—A. He is a representative of the Washington claims board.

Q. The request from Washington is that you reply to these various statements in order. Item 1. "The company is to get \$99,000, itemized as a "carrying charge during period of nonproduction." Blakey says that is an improper charge for the reason that the company had been permitted a 6 per cent depreciation and this was simply a duplication of that. That is his contention.—A. This statement which Blakey put in this newspaper article is a statement which is copied verbatim from final settlement of award made to the company and has been covered in detail in the minutes of the various meetings which we have had. It has been explained in detail to the various boards in Washington. The negotiations during which these various amounts were discussed and finally arrived at, occupied a period of four months, and it would be impossible for me in a mere statement to show the various courses of thought and methods of arriving at the various amounts laid down.

Q. Where are those records?—A. They are all available in the district ordnance office or in Washington. They all went to Washington with the claim. Very careful minutes on every meeting in which this claim was discussed were prepared and forwarded with the claim to the Washington office and are available to anybody in authority who may want to see them.

Q. You say then, that those eight items are correct?—A. Absolutely. They are taken verbatim from settlement of award made by the boards.

Q. But you do not agree with the interpretation, or pass upon them?—A. Why no, for reasons already expressed. That award there is the result of three months' negotiations with the company and everything that was said on either side is available to the public, J. I. D. or anybody else. You must understand, though, that after the district Ordnance office had arrived at what they estimated to be a certain settlement, certain amounts were changed and revised at the instigation and at the suggestion of members of the War Department Claims Board and the Ordnance Department Claims Board, and they changed amounts when we had our final conferences. We would show in our minutes one amount, when, at the suggestion of somebody else, the amounts were changed around, and it must be understood that this was a negotiated lump sum settlement for \$3,000,000.00, and that the division there of the various items, was more or less substantive of the \$3,000,000.00 award. Even the figures are correct, down to the cent. He has simply copied those off the final award made to the company.

Mr. GRAHAM. We will meet at 9.30 to-morrow morning, gentlemen.

(And thereupon, at 5.30 p. m., the committee adjourned until 9.30 o'clock a. m., Tuesday, Oct. 21, A. D. 1919.)

SUBCOMMITTEE NO. 5 (ORDNANCE),
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Tuesday, October 21, 1919.

The committee met at 9.30 o'clock a. m., at the assembly room of the Illinois Trust & Savings Bank Building, Chicago, Ill., pursuant to adjournment on yesterday, Hon. William J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF MR. HARRY C. BAYLISS, FORMER MAJOR,
ORDNANCE DEPARTMENT, UNITED STATES ARMY.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name, Major?

Mr. BAYLISS. Harry C. Bayliss.

Mr. GRAHAM. Maj. Bayliss, you were formerly in the Army, were you?

Mr. BAYLISS. I was a major in the Ordnance Department.

Mr. GRAHAM. During what period?

Mr. BAYLISS. I entered the second officers' training camp August 25, 1917, and was commissioned major and assigned to duty in the Ordnance Department in Washington on November 21, 1917, and detailed as Army inspector of ordnance at the Standard Steel Car Co., at Hammond, on December 6, 1917, and remained there until my discharge on August 11, 1919.

Mr. GRAHAM. During that time were you located at the Standard Steel Car Co. plant all the time?

Mr. BAYLISS. All the time.

Mr. GRAHAM. Did you spend your time there or here, mostly?

Mr. BAYLISS. I spent my time mostly in Hammond, although I was called into the Chicago district office a great many times on conferences, and I also had, during the early part of my assignment in Hammond—I also was in charge of inspection in a number of other plants in the Chicago district, Gary, South Chicago, Indiana Harbor, Harvey, and surrounding points.

Mr. GRAHAM. Did you have anything to do with the Otis Elevator contract?

Mr. BAYLISS. Nothing.

Mr. GRAHAM. What did your duties consist of?

Mr. BAYLISS. My duties consisted in supervising the inspection of the material and manufacture of the 240 millimeter howitzer car-

riage, and during the early months I also had, as I say, charge of the inspection of the materials at these other points.

Mr. GRAHAM. Did you have anything to do with expediting the shipments of materials into the plant—seeing that it progressed?

Mr. BAYLISS. Except to look after their inspection.

Mr. GRAHAM. You inspected the stuff as it came in?

Mr. BAYLISS. I inspected the stuff as it came in.

Mr. GRAHAM. But had nothing to do with the purchase of it?

Mr. BAYLISS. Nothing to do with the purchase of it.

Mr. GRAHAM. Well, now, at the time of the signing of the armistice how many of these carriages has been finished there?

Mr. BAYLISS. One.

Mr. GRAHAM. What part of it was hand made, Major?

Mr. BAYLISS. It is very difficult to answer that question. A great many of the minor details were hand made, and a large number of the major details were partially hand made. We are given to understand that it was very essential to get a carriage ready at the earliest possible moment, and everything was subordinated to that idea, if we had to get certain items out regardless of cost.

Mr. GRAHAM. Now, Major, why was there so much haste about this particular carriage? Was it desired to fulfill some of the original conditions of the purchase order, or why were they hastening this particular carriage?

Mr. BAYLISS. The haste was on the part of the Ordnance Department in Washington, who desired to have one of these carriages to proof fire to determine whether there were any changes or any details that should be altered in any way in succeeding carriages.

Mr. GRAHAM. After they had this one carriage and took it to the Aberdeen Proving Grounds, and tested it, did they make any changes?

Mr. BAYLISS. None; but in explanation I will say that this carriage did not go to Aberdeen until in January. It was completed late in December, and the recuperator was not received until in December, and the recuperator was not received at the plant until in January, if I remember.

Mr. GRAHAM. Where did that come from, the American Brake Shoe & Foundry Co. at Erie?

Mr. BAYLISS. No; the gun came from Watervliet Arsenal.

Mr. GRAHAM. That came when; in January?

Mr. BAYLISS. In January.

Mr. GRAHAM. So that you never did get any assembled until some time in January?

Mr. BAYLISS. Some time in January.

Mr. GRAHAM. Now, I want you to tell us something about the way they progressed on that job while you were there as inspection officer. Give it in your own words, and give us a general idea of it.

Mr. BAYLISS. When I arrived in Hammond in December, 1917, the work had commenced on the extension to the main building, to what is called building No. 10; the foundation pits had been dug and part of the concrete work was in. From that time until March the progress was very slow, due to the exceptional severity of the winter, and the scarcity of coal. On several occasions the plant was shut down for several days at a time; we absolutely could not get any coal; we could not heat the buildings, even the offices, and the con-

ditions were very severe and handicapped us greatly in the outside construction work. While this construction work was going on the Ordnance Department—or the Standard Steel Car Co.—was placing orders for the machinery which the Government was to purchase on additional facilities. This machinery began to come in early in January, and was unloaded in their erection shop where they were still continuing the passenger car work. Along late in February it was suggested to the Standard Steel Car Co. that it would be advisable to transfer the passenger car work from the shop—

Mr. GRAHAM (interposing). Who suggested it to them?

Mr. BAYLISS. Well, I think the suggestion originally came from the two production lieutenants who were on the job at that time, and I also added my indorsement to it, and suggested to the Standard Steel Car Co. that it might be advisable to transfer that work to give room to install machinery, so that everything could be in shape to start production May 1, according to the terms of the procurement order that specified 10 carriages a day after May 1. They objected somewhat to moving at that time, but finally agreed, but it was late in March, or early in April before the transfer was actually made.

Mr. GRAHAM. What did they have to transfer?

Mr. BAYLISS. They had a large number of New York Central steel coaches in various stages of erection in the erection shop. They had some machinery for the shaping and drilling of the plates for those coaches and considerable material which had been piled up in the erection shop for the plants on that order.

Mr. GRAHAM. How did they transfer that?

Mr. BAYLISS. Loaded it on cars; they loaded the material on cars; the partially completed coaches on trucks, and transferred them to their freight department.

Mr. GRAHAM. How long did that take?

Mr. BAYLISS. I couldn't tell you; it was going on over 30 days; they did it on the installment plan.

Mr. GRAHAM. Did it take a large number of men to do it?

Mr. BAYLISS. It took quite a force.

Mr. GRAHAM. Well, how large a force?

Mr. BAYLISS. I couldn't tell you; I couldn't say the size of the force they used. It would be hard to tell how much of the force worked on the transfer.

Mr. GRAHAM. They took that into the freight department. Did they make them in there then?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. Did they make them in there; did they have room in there for them?

Mr. BAYLISS. They were working on a large number of cars for the American railway in France.

Mr. GRAHAM. A Government order?

Mr. BAYLISS. A Government order.

Mr. GRAHAM. That was a Government order, you say?

Mr. BAYLISS. Yes; and also 10 trains for use for the 10-inch naval battery. They erected those complete at Hammond.

Mr. GRAHAM. Were those the trains that were afterwards used in France?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. At least a couple were used over there.

Mr. BAYLISS. They were all shipped across.

Mr. GRAHAM. Those were completed at Hammond?

Mr. BAYLISS. They were completed at Hammond.

Mr. GRAHAM. Under separate contracts?

Mr. BAYLISS. Yes; under separate contracts.

Mr. GRAHAM. Now, after they moved that stuff out of there, did they fill the shop with complete machinery for the making of the 240-millimeter howitzer?

Mr. BAYLISS. They installed machinery, and the thing was then assuming shape for the 240-millimeter howitzer, and they also used one end of the shop for the storage of tools and things of that kind, a tremendous amount of which they needed.

Mr. GRAHAM. What were those tools—presses?

Mr. BAYLISS. They were already installed.

Mr. GRAHAM. What were they?

Mr. BAYLISS. Those tools consisted of drills, milling machines, and general machine-shop tools.

Mr. GRAHAM. Were they tools that can be adapted to the ordinary commercial purposes?

Mr. BAYLISS. The majority of them.

Mr. GRAHAM. So that you can take that same machinery and carry out almost any operation in metal?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. And they still have those machines?

Mr. BAYLISS. With the exception of some that were shipped to the Watertown Arsenal.

Mr. GRAHAM. When you last saw the machines what condition were they in?

Mr. BAYLISS. Good condition.

Mr. GRAHAM. The work they had had was not such as to impair their value as machines to any degree?

Mr. BAYLISS. No.

Mr. GRAHAM. Are those machines such as are in ready demand by the trade?

Mr. BAYLISS. They are standard machines and in times when there is a demand for machine tools they could be disposed of.

Mr. GRAHAM. I suppose there were some lathes among them?

Mr. BAYLISS. Yes; comparatively few lathes.

Mr. GRAHAM. They already had their stamps and presses?

Mr. BAYLISS. Yes; and the shears.

Mr. GRAHAM. They used them in making cars?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. And they could adapt them to the plates that were necessary to build these carriages?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. Now, are you a practical machine man—metal man?

Mr. BAYLISS. I am a mechanical engineer.

Mr. GRAHAM. How long have you been in the business, Major?

Mr. BAYLISS. Since 1899.

Mr. GRAHAM. You know then a great deal about metals and their uses?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. What sort of metal was this that was to be used by the Government in the making of this carriage?

Mr. BAYLISS. It was largely special specification steel, which was insisted upon by the French engineers who were sent over here in connection with the manufacture of this carriage.

Mr. GRAHAM. And had a large proportion of nickel in it?

Mr. BAYLISS. Considerable of it was nickel steel.

Mr. GRAHAM. And some of it was not?

Mr. BAYLISS. A large proportion was not nickel steel, but was a high grade carbon steel.

Mr. GRAHAM. What was that steel good for except to make these carriages; was it good for anything else?

Mr. BAYLISS. There was very little demand for a nickel steel of the analysis used at Hammond; it is a higher priced steel than is used ordinarily; it is harder to work, and comparatively few places where they would use it, except on special jobs.

Mr. GRAHAM. Does the Government use that to-day in arsenals where they are making carriages for this type of gun?

Mr. BAYLISS. It is used in making the 240 in the Watertown Arsenal.

Mr. GRAHAM. Why wasn't it possible to take over this material that was afterwards sold to this company for junk; why wasn't it possible to take that over and use it?

Mr. BAYLISS. Considerable of it was taken over, I believe. The Watertown Arsenal selected considerable of this material for use as spare parts in replacing parts of the 240-millimeter howitzer that were completed at Hammond and at Watertown Arsenal.

Now, there is something I would like to put in here in explanation.

Mr. GRAHAM. All right.

Mr. BAYLISS. Originally Watertown Arsenal was ordered to construct 250 of the 240 millimeter howitzers; the Standard Steel Car Co. was to have 964. Watertown Arsenal and the Standard Steel Car Co. were supposed to keep in close touch during this manufacture and exchange information, and to give information regarding any changes that should be made, and the engineering bureau in Washington assigned an officer to spend part of his time in Watertown and part of of his time in Hammond working on that particular phase of the construction.

Mr. GRAHAM. Do you know whether they are still making these carriages at Watertown?

Mr. BAYLISS. They are completing a reduced order.

Mr. GRAHAM. Do you know how many they are making?

Mr. BAYLISS. 120 out of the 250.

Mr. GRAHAM. They finished 120 while this institution completed 200?

Mr. BAYLISS. They completed 120 about October 1; the understanding was they were to complete that order by October 1.

Mr. GRAHAM. When did this company finish its 200?

Mr. BAYLISS. June 20.

Mr. GRAHAM. It was possible, then, immediately after the armistice to cancel that contract with this company and to have had those carriages finished at the Government arsenal?

Mr. BAYLISS. Yes, sir.

Mr. GRAHAM. Tell us something about the delivery of the recuperators on the Otis Elevator job, Major; how did they get along?

Mr. BAYLISS. The first recuperator was delivered about the 1st of December, and it was some little time before——

Mr. GRAHAM (interposing). Was it machine or hand made?

Mr. BAYLISS. That was machine made. The second recuperator followed a short time afterwards, and commencing about the 1st of February, as I remember, the Otis Elevator Co. was ahead of the Standard Steel Car Co. at all times. In other words, they had recuperators ready whenever the carriages were finished, and along toward the latter part of the contract we had all the recuperators on hand long before the carriages were ready for them.

Mr. GRAHAM. Well, did you have any trouble about getting delivery of those recuperators; were you urging them in the year 1918 to produce them?

Mr. BAYLISS. We had a carriage ready long before the recuperator was ready.

Mr. GRAHAM. What was the trouble over there, do you know?

Mr. BAYLISS. I don't know.

Mr. GRAHAM. Did you try to stimulate production over there in any way?

Mr. BAYLISS. Col. Clark can tell you better what was done along those lines. The matter was taken up by the Chicago district, and by the Chicago district taken up with the Otis Elevator Co.

Mr. GRAHAM. Now, we want to know something more about the changes in plans made in the life of this contract; do you know anything about that?

Mr. BAYLISS. I know there were a great many changes made all along.

Mr. GRAHAM. This company claims they were greatly delayed by the inactivity of the Ordnance Department, or the fact that the Ordnance Department was constantly changing its plans. Tell us what you know about that, Major.

Mr. BAYLISS. May I ask a question there?

Mr. GRAHAM. Yes.

Mr. BAYLISS. Are you familiar with the 240-millimeter howitzer as built in this country?

Mr. GRAHAM. Yes; we have gone into that pretty extensively.

Mr. BAYLISS. Then I will say this: When the drawings were delivered to the Standard Steel Car Co., which had approximately 800 tracings, at least 300 of them were incomplete in portions; lots of dimensions were missing, and details of that nature, and there were a great many changes made in adapting the French practice to American practice. It was necessary to do so in order to meet American shop conditions, and during the early stages of the work we were constantly receiving revised drawings from Washington for transmittal to the Standard Steel Car Co.

Mr. GRAHAM. Was that delaying the work any?

Mr. BAYLISS. That in a measure would delay them considerably, because they were unable to tool up for production until they knew exactly what they had to do to some individual piece. For instance, if there were some dimensions missing on one piece, they would not know what tool was necessary under that piece until they knew absolutely what had to be done.

Mr. GRAHAM. Do you know how long those changes continued—can you tell when the last one was?

Mr. BAYLISS. The minor changes continued as long as the guns were being constructed, but in the summer of 1918 arrangements were made by which Mr. Church was appointed engineering representative, with authority to make necessary changes to expedite production. The Ordnance Department appointed him with authority to approve any changes necessary to expedite production.

Mr. GRAHAM. When was that?

Mr. BAYLISS. In 1918.

Mr. GRAHAM. Do you know about when?

Mr. BAYLISS. The official assignment was about the time of his official appointment, in December, but Mr. Church was virtually exercising that function before that time.

Mr. GRAHAM. Well, he could make a change here in Chicago and not refer it to Washington?

Mr. BAYLISS. He would make a change in Chicago and a copy of that would be sent to Washington, and they could concur in that or not as they saw fit.

Mr. GRAHAM. Can you give the committee any idea how much delay you think was caused by the actual failure of the Ordnance Department to furnish plans?

Mr. BAYLISS. No, sir.

Mr. GRAHAM. Do you think it amounted to as much as 270 days—nine months?

Mr. BAYLISS. I do not. But I will qualify that to this extent, that there were so many contributing causes to those delays that it is almost impossible to fix on any one phase of the situation and say that that caused the delay. When this contract was placed the terms of the procurement order provided that the Standard Steel Car Co. was to subcontract for as much of the work as possible, and as a result of that there were approximately 100 subcontracts placed all over the Chicago district, and many of them at very considerable distances from Chicago, and in a contract of this magnitude, 964 units, that meant a tremendous amount of work by a great many different manufacturers and any delay in the receipt of material from one manufacturer very frequently tied up, when delayed, material into which entered material from a dozen manufacturers. So that it is very difficult to definitely put your finger on any one circumstance and say that that caused the delay.

Mr. GRAHAM. How much of the work was this company doing itself, and how much did it buy from other contractors?

Mr. BAYLISS. I think that can best be shown by the figures showing the subcontracts placed and the proportion which they bear to the work done at Hammond. I can not tell you just what that would be, but Mr. Miller or Mr. Grafke can give you the figures.

Mr. GRAHAM. There was a large part of the material from elsewhere?

Mr. BAYLISS. A large part.

Mr. GRAHAM. So this plant was largely an assembling plant?

Mr. BAYLISS. An assembling plant, and the manufacturer of the much heavier parts of the units.

Mr. GRAHAM. The plates and that sort of thing?

Mr. BAYLISS. All the plate work.

Mr. GRAHAM. Do you know anything about this settlement? Did you participate in any of these meetings?

Mr. BAYLISS. I did not.

Mr. GRAHAM. You were not at Hammond and not at Chicago?

Mr. BAYLISS. I was discharged on August 11.

Mr. GRAHAM. And that was prior to any negotiation?

Mr. BAYLISS. Prior to the settlement.

Mr. GRAHAM. Do you want to ask him anything, Mr. Jefferis?

Mr. JEFFERIS. Mr. Bayliss, you spoke of transferring some passenger cars that were in the course of construction to the freight?

Mr. BAYLISS. Yes, sir.

Mr. JEFFERIS. In April, as I remember it, of 1918?

Mr. BAYLISS. Late in March or early in April, 1918.

Mr. JEFFERIS. And that covered a period, you think, of approximately 30 days?

Mr. BAYLISS. I would say that it took them about 30 days to make the transfer, as it was done piecemeal. It was almost impossible to transfer cars in their entirety and still keep working.

Mr. JEFFERIS. Do you know whether the cost of that transfer was paid by the Government?

Mr. BAYLISS. It was.

Mr. JEFFERIS. In other words, whatever it cost to transfer the machinery and cars was taken up right at that time, and paid by the Government as part of the costs?

Mr. BAYLISS. It was.

Mr. JEFFERIS. Do you know anything as to the amount of that?

Mr. BAYLISS. I do not.

Mr. JEFFERIS. You did not have anything to do with the figures or accounting?

Mr. BAYLISS. I had nothing to do with it. However, Mr. Grafke can give you the figures covering the shop organization to do that work.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you want to ask anything?

Mr. GARRETT. Major, I have read somewhere, I am sure, that the processes of manufacture in France were entirely different from our processes here. For instance, there was a great deal more of what is designated as handwork in France than it was contemplated; least, there would be here; do you know anything about that?

Mr. BAYLISS. A report was made by a committee sent to France to investigate the actual manufacture of the 240-millimeter howitzer in France, which indicated that there was a great deal more handwork done on the carriages as turned out in France than was ever contemplated in the construction of similar carriages in this country.

Mr. GARRETT. The effort was made to standardize here, as I understand it?

Mr. BAYLISS. Yes; sir.

Mr. GARRETT. And to produce machines which would enable standardization and the doing of much more machine work than was done in France.

Mr. BAYLISS. Yes, sir.

Mr. GARRETT. That is the way I had read it.

Mr. BAYLISS. Yes, sir.

Mr. GARRETT. For instance, I have read that in the manufacture of these particular guns and carriages, and also the other sized guns, that a very great deal was dependent upon the individual workman in France. Really, I got the impression from the article that in many instances the workman depended more upon his eyes than he did upon tools. Was that a part of the report?

Mr. BAYLISS. That is embodied in the report.

Mr. GARRETT. They had highly expert workmen in France on the manufacture of these guns is the impression I got from what I read, and did not pay much attention to the machines, as it was contemplated they should do here?

Mr. BAYLISS. No, sir.

Mr. GARRETT. Now, our processes of manufacture were really much more rapid; that is to say, they would have been when they got in full operation; would they or would they not, do you say?

Mr. BAYLISS. We would have been in much better shape to furnish quantity production than they were in France.

Mr. GARRETT. Were you present yesterday afternoon when I asked Mr. Vail about the extent to which work had advanced upon the different parts on the original order at the time of the signing of the armistice?

Mr. BAYLISS. Yes, sir.

Mr. GARRETT. Can you give the committee any information about that—any idea about that?

Mr. BAYLISS. At the time of the signing of the armistice one carriage was completed, ready for the recuperator.

Mr. GARRETT. Yes; perhaps I did not make myself just clear. I am not referring now to the completed carriage, but rather to the parts; to what extent they had advanced in the manufacture of parts for more than one carriage; whether everything was devoted just to this one particular carriage; had there been no parts of others manufactured?

Mr. BAYLISS. No; there were a large number of parts for the other carriages completed, but in a number of cases parts entering into the construction of the first carriage were the only ones that had reached completion in their particular classes. There may have been a large number in process, but not completed.

Mr. GARRETT. Yes; that is what I mean, if you could give the committee some sort of an idea about what was in progress.

Mr. BAYLISS. That would be very difficult without referring to the production record maintained by the production officers at that time. They had a record on which it was shown the progress and the condition of the various subcontracts and of work in the shop each week; and that should give the approximate completion of the various items entering into the construction of the carriage at that time.

Mr. GARRETT. Do you suppose Mr. Grafke will have any information on that?

Mr. BAYLISS. I don't think he would have. It would be in the records of the Production Division at Hammond.

Mr. GARRETT. You spoke of the cost of the transfer of that machinery and material, and so forth, from the passenger to the freight manufacturing department being paid by the Government. Do you mean it was paid at the time?

Mr. BAYLISS. Shop orders were issued covering the work of transferring the passenger cars and machinery, and vouchers were issued as the Standard Steel Car Co. asked to be reimbursed.

Mr. GARRETT. So that was paid before this claim was settled?

Mr. BAYLISS. The actual cost of transfer.

Mr. GARRETT. That is all.

Mr. JEFFERIS. One other question I would like to ask. Mr. Bayliss, you spoke, in answer to questions of Mr. Graham, about the Watertown Arsenal selecting materials that were sent to that place from the Standard Steel Car Co.'s plant. When was that done?

Mr. BAYLISS. That was done during the spring of 1919.

Mr. JEFFERIS. And they selected largely this nickel steel?

Mr. BAYLISS. No; Watertown arsenal had a large amount of material left for the carriages which they did not complete. The Ordnance Department prepared a schedule of spare parts and replacements necessary for the total number of howitzer carriages completed by the Standard Steel Car Co. and at Watertown Arsenal. They then took into account the material on hand at Watertown, and took from the Standard Steel Car Co. the necessary material to complete the required quota. In other words, the Watertown material, which had already been in many cases completely manufactured, was taken into account first and only sufficient taken from the Standard Steel Car Co. to complete the amount required for spare parts and replacements.

Mr. JEFFERIS. Well, now, could you give us anything generally, at least, as to what material was selected here and taken from the Standard Steel Car Co. to the Watertown Arsenal?

Mr. BAYLISS. It is impossible to give an accurate idea; there are so many items.

Mr. JEFFERIS. Do you know anything as to its value or cost?

Mr. BAYLISS. I do not. The statement was made yesterday that up to that time that this claim was settled 63 carloads of material were shipped, and there still remained quite a lot to send forward.

Mr. JEFFERIS. But you don't know anything as to the cost of it, or anything of that kind?

Mr. BAYLISS. No, sir; I don't know.

Mr. JEFFERIS. Was there any material delivered from the Watertown Arsenal to the Hammond plant of the Standard Steel Car Co. to help it complete any of its carriages?

Mr. BAYLISS. On two or three occasions we borrowed material from Watertown to complete units at Hammond, and later replaced it when our material was received from the manufacturers.

Mr. JEFFERIS. That is all.

Mr. GRAHAM. That is all, Mr. Bayliss.

FURTHER TESTIMONY BY CHARLES R. MILLER—Recalled.

Mr. GRAHAM. Now, Mr. Miller, we will proceed with your examination which we had yesterday. One of the questions I asked you to look up and tell us about was the amount of the present taxable value or the present value of the Standard Steel Car Co. plant. What can you tell us about that this morning?

Mr. MILLER. We telephoned to the plant, and they will have that by the time you get out there. That is the only information I could not get quickly.

Mr. GRAHAM. Now, what are you getting—the taxable value?

Mr. MILLER. This afternoon—if you are going this afternoon—Mr. Grafke will get that from the books and give you that by the time you leave.

Mr. GRAHAM. Well, we are going this afternoon. Now, there were some inquiries made by some other members of the committee. Inasmuch as they were made by some other members, I will ask them to proceed. Mr. Jefferis, you may proceed.

Mr. JEFFERIS. Can you state, Mr. Miller, and if you can tell this committee the amount of work that had been done by the Standard Steel Car Co. up to the signing of the armistice on this informal contract?

Mr. MILLER. On November 11, for direct labor, there had been expended \$462,955.30; direct labor to March 2, \$793,653.30; direct material to November 11, \$3,880,415.82; direct material to March 2, \$6,545,218.91; special purchases to November 11, \$30,272,720.30; special purchases to March 2, \$3,718,120.59.

Mr. JEFFERIS. What do you mean by special purchases?

Mr. MILLER. Special purchases is the construction of the buildings and what we call fixed machines—the machines in the buildings ready for the factory to start operation.

Mr. JEFFERIS. Do you know how much was spent for factory overhead up to November 11?

Mr. MILLER. I can get those figures. I did not cover that, because you asked for the material and labor; but Mr. Grafke can get that from the books this afternoon very readily.

Mr. JEFFERIS. What did this direct labor charge up to November 11 cover, Mr. Miller?

Mr. MILLER. Direct labor is labor used in the production of the unit, or work done by the machines on the unit. There was some 1,500 different parts in the carriage.

Mr. JEFFERIS. Did that include in any way the construction of buildings, or anything?

Mr. MILLER. No, sir.

Mr. JEFFERIS. Do you know, Mr. Miller, how much these subcontracts that were let for different parts totaled, or how much was paid out on subcontracts, by this Standard Steel Car Co.?

Mr. MILLER. The subcontracts paid out \$2,519,139.12. I might state in those subcontracts there was a great deal of material used by the subcontractor that was furnished by the Standard Steel Car Co.; it was practically Government material. And then when the subcontractor put his labor and overhead on, or whatever his subcontract read, it is taken into the plant of the prime contractor as raw material—as material, although it has labor on it.

Mr. JEFFERIS. So, then, under the head of direct material in the account of the Government with the prime contractor, it would necessarily be a considerable charge for labor that had been performed by the subcontractor?

Mr. MILLER. Yes; in our contracts that is true.

Mr. JEFFERIS. You may state what you find in the contract charge or the award which allows the Standard Steel

I think it is, in there as a carrying charge; is there any discrepancy or difference in their claim as filed and in the award in any way?

Mr. MILLER. The only item I can find in the revised claim that is submitted was an item of \$98,910; that seems to be a charge of interest for a period of 10 months at 6 per cent, based on the land value and the plant value of \$99,000. And this item stated we had allowed a depreciation on the plant of 6 per cent. But in the award I notice the item reads, "carrying charge during the period of non-production, \$99,000." That is why I stated yesterday that if the contractor was penalized, that the carrying charge was a legitimate item. But it did not seem to read the same as this item here. Why, I do not know.

Mr. JEFFERIS. In other words, it appears to you, does it, that they changed the purposes of the item?

Mr. MILLER. Well, the reason I say that it looks as though it had been changed, the next item of \$261,000 in the award, is the next item that appears in the revised claim. If that wording was changed for a purpose, I do not know, but it did not read the same on the award as it does on the claim.

Mr. JEFFERIS. How do they get this valuation at a million dollars, etc.; what was that?

Mr. MILLER. The way that reads, item A, schedule 1, on the revised claim, interest in full on money, work, and facilities, 6 per cent, \$3,000; granted value on land, 66 acres, at \$1,500; granted value of plant, exclusive of land, a total of \$1,099,000, and that makes a total of \$98,910 on the claim.

Mr. JEFFERIS. Then, as you gather from that, they value the plant at \$1,099,000; is that it?

Mr. MILLER. Plant and land; yes, sir. We have paid depreciation, of course.

Mr. JEFFERIS. Well, if you have paid depreciation, would an interest charge be proper?

Mr. MILLER. Not in my estimation; no, sir.

Mr. JEFFERIS. So the \$99,000 in the award, so far as you can see, is not a proper charge, in any event?

Mr. MILLER. It is not a proper charge the way it is brought out in the revised claim. If this wording that they have in their award of \$99,000 carrying charge during the period of nonproduction is subject to an audit, there might be part or all of that amount that could be allowed under that caption; if it is there, I think it can be audited.

Mr. JEFFERIS. I think Mr. Garrett asked you some question. That is all I care to ask.

Mr. GARRETT. Yes. The last question that I asked and to which you reserved answer, with the permission of the committee, was to analyze all the items of the claim and point out those that, in your opinion as cost accountant and based upon your knowledge of the conditions existing at the plant, were improper. Are you prepared now to answer that?

Mr. MILLER. I think so. The first item of \$99,000 I have covered. It depends upon the wording and an audit whether it was carrying charges, and whether it was proper on this revised claim and this interest.

The next item, B, on the award, unabsorbed administrative expense; I would say in regard to that—

Mr. JEFFERIS (interposing). How much is that?

Mr. MILLER. \$261,251.45; we have absorbed the administrative expense, \$109,533.73. That is not unabsorbed administrative; it is our proportion of administrative expense. This item is an additional item of \$261,251.45, as unabsorbed administrative expense. In my estimation, that amount should not be allowed.

The next item, C, is 10 per cent profit on worked material, labor, and overhead.

Mr. GARRETT. How much?

Mr. MILLER. The award reads \$656,394.05. I might say in regard to that item C that since we have paid \$800,000 on the basis of the cost of the carriage being \$40,000, 10 per cent of the \$40,000, or \$4,000 on each carriage, \$800,000, that this item C is excessive. Mr. Blakey and Mr. Grafke went over the matter very carefully, and we can not see why more than \$200,000 should be allowed. The carriages estimated at costing some \$31,000 is a high estimate. That leaves a difference of over \$466,000 we think is excessive in that item.

Item D, unabsorbed cost of preparation of plant, \$60,000; that is a round figure. There would have to be an audit to find out whether that money was really spent.

Item E, additional cost of passenger-car work done in freight shop, \$467,184.51. That is all subject to audit, whether the cost of that additional amount of work was done. It has not been audited. It might be an approximate figure to make up the three million, or it might be correct; we can not tell a thing about that unless we go over the figures.

Mr. GARRETT. Mr. Miller, do you understand that to mean that it cost this company that much more—that they claim it cost them that much more to do the work in the freight shop than it would have cost them to have done it in the passenger shop?

Mr. MILLER. Probably; yes. Their claim is probably based on the fact that they had to move out of the ordnance part of the place and move over into the other place. Now, what their real damage was is a problematical figure. It all has to be figured out. And then, if there is to be allowed any part of that, it may be that is another matter.

Mr. GARRETT. I direct your attention to the fact that it has just been testified by Maj. Bayliss that, at the time of the removal the Government paid the expense of moving. Do you know whether that is correct or not?

Mr. MILLER. I don't know as to that item. That slipped me yesterday—whether they paid for the removal of the machinery from one side to the other, do you mean?

Mr. GARRETT. Maj. Bayliss testified a few moments ago that when they moved this stuff out of the passenger shop to the freight shop the Government paid for that at the time.

Mr. MILLER. I understand, but that would probably not be in this item. This is the loss they say they probably sustained moving into smaller quarters; if they had more room they would have done more business.

Mr. GARRETT. That is what I am trying to get at; what this item means.

Mr. MILLER. I might say the original claim on that additional cost of the passenger-car work was less than this figure in the award claim, as Mr. Blakey had stated. You know all about that.

Mr. GRAHAM. No; we do not; we knew that in a general way, but I think you had better go into that, Mr. Garrett.

Mr. GARRETT. What was the original claim?

Mr. MILLER. The original amount claimed by the Standard Steel Car Co. was \$256,766.53.

Mr. GARRETT. So that the award is more than \$200,000 in excess of the original claim?

Mr. MILLER. Yes, sir.

Mr. GARRETT. Do you have the original claim before you there?

Mr. MILLER. I have; yes, sir.

Mr. GARRETT. Do you find any item in that original claim under any heading that might approximate that \$200,000 excess that could have been lumped in with this under any sort of figures?

Mr. MILLER. Well, there are items disallowed in the old claim—the old part of the claim.

Mr. GARRETT. Well, the next item is F, expense of transferring car machinery to freight shop.

Mr. MILLER. If the Government has absorbed the expense of transferring all the machinery from the Government side to the freight side, I can't see why the \$17,140.77 was allowed, unless it was items they discovered afterwards and that they had absorbed, and made errors in their bookkeeping.

Mr. GARRETT. And you have no information as to whether that is a fact?

Mr. MILLER. Not unless they are audited, which is the sore point of the whole thing; if we had an audit we could tell you the figures.

Mr. GARRETT. Now, the next item, unabsorbed operating losses to June 30, 1919, on hotel dormitory and dormitory dining room, \$40,926.99. I believe you stated yesterday that you suggested the equity of dividing those losses between the Standard Steel Car Co. and the Government, is that correct?

Mr. MILLER. Just for the hotel, not for the dormitory. The dormitory is a club inside the works, and the hotel is a half mile from the plant. The reason I gave that opinion that 50 per cent should be stood by the Government on the hotel is the fact that some of the Government men lived at the hotel and some of the Standard Steel Car Co. men, while at the dormitory nobody lived except the officers of the Standard Steel Car Co., and I believe Mr. Vail, or some of those people; I do not know the fact.

Mr. GARRETT. By the way, how does that amount awarded there compare with the original claim?

Mr. MILLER. The original claim reads, "Operating losses to June 30, 1919, on hotel dormitory and dormitory dining room, \$48,443.33"; marked disallowed on the revised claim, but taken up on the award of \$40,926.99. How those figures were arrived at I do not know.

Mr. GARRETT. What have you to say about the next item? Difference in cost—

Mr. MILLER (interposing). Difference in cost and present value of hotel roadways, garage, etc., less amortization at 20 per cent, \$220,556.34. Whether the Standard Steel Car Co. was penalized more than the half of the operating loss on that hotel is a matter I would

not know anything about. I do not know anything of the value of the building now compared with the value of the building when they built it or their future use for that hotel.

Mr. GARRETT. Well, this does not seem to apply to the hotel itself; it may be that there should be a comma after the word "hotel."

Mr. MILLER. There should be.

Mr. GARRETT. So that does apply to the hotel, roadways, etc.?

Mr. MILLER. The roadways could not connect with the hotel only; they are all over the place. The hotel is a half mile from the plant.

Mr. GARRETT. Mr. Miller, just what do you mean by the word "penalized"?

Mr. MILLER. Well, if the Standard Steel Car Co. built this hotel for the benefit of the Government contract it is no more than natural that the Government should stand a part of the operating losses; it is a welfare proposition. But I do not see how that can affect very materially the value of that hotel as it will be to the Standard Steel Car Co. from now on. There might be a small amortized cost; they put up the building, but it must be borne in mind that we have stood half of the operating losses on the hotel, because the Government got the benefit of it.

Mr. GARRETT. Do you have the figures on the cost of that hotel now, Mr. Miller?

Mr. MILLER. I can obtain them this afternoon, exactly what that cost.

Mr. GRAHAM. You said to Mr. Garrett that we had already borne half of the loss on the maintenance of that hotel. Where has that happened?

Mr. MILLER. That is in this \$40,000. It is not in the payments, but that is what I suggested, and when Col. Hughes took it up with me to stand a half of the operating losses as a welfare item. That is in this money, \$40,000. But the rest of that matter I am not sure about.

Mr. GARRETT. Let me see if I can get that clear. There was a claim there for \$40,000; that was in the claim?

Mr. MILLER. Yes, sir.

Mr. GARRETT. That was just half, or the total?

Mr. MILLER. I can't tell from these figures.

Mr. GARRETT. What I want to know is whether this \$40,926.99 is considered half or more than half?

Mr. MILLER. We will have to get the working figures to see how that schedules up before we can tell.

Mr. GARRETT. Well, the next item is returning the plant to prewar conditions.

Mr. MILLER. Returning the plant to prewar conditions, item 1 is covered in the contract, but whether it is \$90,000, or more or less, we do not know until we go into the whole thing. It is very often estimated and agreed with the contractor that he will take the responsibility of returning the plant to a prewar condition for a round figure. It is pretty hard to estimate just how much it will cost them. A good many claims are settled on the basis of what he thinks it will cost from asking contractors who do that kind of work to make a bid on it. But it is a legitimate item of the contract.

Mr. GARRETT. Well, the next is item J, plant occupancy since suspension, \$100,000.

Mr. MILLER. The revised claim on that item reads "10 per cent profit on jigs, tools, and fixtures and special machines properly chargeable to overhead expense and estimated as costing \$500,000; 10 per cent of \$500,000, \$50,000. Compensation for preparation plant (negotiated), a settlement of composed claim of \$385,600," and a round figure of \$50,000; a total of \$100,000. The wording of the award seems a little different from the wording on the revised claim. The wording on the revised claim distinctly states profit on the first \$50,000.

Mr. GARRETT. And the next, item K, sums expended, on the next page, \$65,760.32?

Mr. MILLER. Item K in the Standard Steel Car Co. shows that they have spent \$65,760.32 of their own money for items that are not under certain captions in the allotment. In my estimation they should be reimbursed for that.

Mr. GARRETT. Well, now, there was an item up there of commitment for material or services, \$121,585.57. That is the best we can get at it from our testimony, is Standard Electric.

Mr. MILLER. That Standard Electric is listed \$121,585.57. The revised claim distinctly states, Standard Electric, same is not allowed, previously.

Mr. GARRETT. Any comment to make on that item?

Mr. MILLER. I have not; no, sir.

Mr. GARRETT. You don't know anything about that item?

Mr. MILLER. I know about the item in this way, that when the Standard Electric Co. were doing work that the investigation by the military intelligence was on, we refused to pay this \$121,585.57. We did pay them quite a little money, so the Standard Steel Car Co. put it in the claim.

Mr. GARRETT. A little while ago, in answer to questions by Mr. Jefferis, you gave the amount expended on direct material, special purchases, and so forth. up to March 1—up to November 11, and then up to March 2. Now, figures given as of March 2 included figures up to March 3?

Mr. MILLER. Cumulative.

Mr. GARRETT. Cumulative. Then you gave an item of something over \$2,000,000 that had been paid the subcontractors. To what date was that?

Mr. MILLER. That is what—I stated a few minutes ago that that can be ascertained at the plant by Mr. Grafke.

Mr. GARRETT. Some of that \$2,000,000 was made probably after March, the date of your figures there; \$2,000,000 and more—I have forgotten the exact amount—is that included in your figures given up to the March dates, or do you know about that?

Mr. MILLER. That two million—\$2,519,139.12 is included in the seven-odd million dollars of direct materials.

Mr. GARRETT. As of date March—

Mr. MILLER. That is to date.

Mr. GARRETT. Oh, to date?

Mr. MILLER. Yes, sir. Part of the \$17,000,000 total expenditures.

Mr. GARRETT. That is all.

Mr. GRAHAM. Is that all?

Mr. JEFFERIS. One other question. In the operation of this hotel, Mr. Miller, you spoke of Government officials living or staying at the hotel—did they pay for their accommodations there?

Mr. MILLER. Yes, sir. Mr. Blakey lived there, and quite a few Government men, quite a few Standard Steel Car men. They paid their regular rate. They thought they could support the hotel, but, as in propositions of that kind, we have found it is more or less of a welfare; there will be a loss in operation.

Mr. JEFFERIS. Well, was this hotel open to the public also?

Mr. MILLER. Yes, sir.

Mr. JEFFERIS. And the Standard Steel Co., as a matter of fact—the Standard Steel Car Co.—accommodated the public generally, as well as Government officials, or employees working on the jobs?

Mr. MILLER. Yes, sir; but there were very few of the public that was really put up, because there was no hotel worth living at in Hammond.

Mr. GRAHAM. What sized town is Hammond?

Mr. MILLER. I don't know how big it is.

Mr. JEFFERIS. How is that?

Mr. MILLER. I don't know how big it is. It is quite a big manufacturing town.

Mr. JEFFERIS. Well, did the Standard Steel Car Co. fix the rates for hotel accommodations?

Mr. MILLER. Yes; their manager did—they had a manager.

Mr. JEFFERIS. And the Standard Steel Car Co.'s officers and the Government employees largely constituted the people that stopped there?

Mr. MILLER. I don't think any of the officers lived there. I think that, say, from the auditor down. I don't think Mr. Jenks lived at the hotel.

Mr. JEFFERIS. Well, foreman of the Standard Steel Co.?

Mr. MILLER. Yes, sir; foreman. Anybody in the Standard Steel that wanted to live there, save running back to Chicago overnight.

Mr. JEFFERIS. How was that conducted, on the American or European plan?

Mr. MILLER. American plan, I believe; I am not certain about that.

Mr. GRAFKE. European.

Mr. MILLER. Mr. Grafke says European. I thought it was American.

Mr. JEFFERIS. And there was a cafeteria there, was there?

Mr. MILLER. Dining room.

Mr. JEFFERIS. Or cafe?

Mr. MILLER. Dining room.

Mr. JEFFERIS. That is all.

Mr. GRAHAM. That is all. Mr. Grafke, I believe we will examine you now.

TESTIMONY OF MR. A. E. GRAFKE.

(Witness sworn by Mr. Graham.)

Mr. GRAHAM. Give your name to the reporter, Mr. Grafke.

Mr. GRAFKE. A. E. Grafke.

Mr. GRAHAM. What is your business, Mr. Grafke?

Mr. GRAFKE. Accountant in charge, United States accountant in charge cost-accounting branch.

Mr. GRAHAM. At the Standard Steel Car Co. plant?

Mr. GRAFKE. Yes, sir; at the Standard Steel Car Co. plant.

Mr. GRAHAM. How long have you been there?

Mr. GRAFKE. Since 1918.

Mr. GRAHAM. And are you still employed there?

Mr. GRAFKE. I am still employed there.

Mr. GRAHAM. What are your duties there?

Mr. GRAFKE. I have charge of the office, Government accountants.

Mr. GRAHAM. You say June, 1918, you went there?

Mr. GRAFKE. June, 1918; yes, sir.

Mr. GRAHAM. When you went in, what was the state of the work there in the plant? How far along had they got?

Mr. GRAFKE. Well, they had not got very far in the production that I could see. They were getting things in shape for production, making tools and that stuff, to manufacture the article.

Mr. GRAHAM. Mr. Grafke, has the Standard Steel Car Co. kept you furnished from time to time with the information that you needed in the progress of this work?

Mr. GRAFKE. No, sir.

Mr. GRAHAM. What has been the trouble in a general way?

Mr. GRAFKE. Well, they have never furnished us with the information in reference to production that we asked for, and we had a hard time in getting the component cost and setting up their record so that we could give the Government a component cost, and finally along in September, along there, they set up their labor by component parts.

Mr. GRAHAM. Explain to us what that means. We are not accountants and do not understand the situation.

Mr. GRAFKE. Well, there is so many component parts go into a certain article that they are going to make.

Mr. GRAHAM. You mean labor and material?

Mr. GRAFKE. No; it would be component parts like——

Mr. GRAHAM. I see. The cost of the various——

Mr. GRAFKE (continuing). Of the various different parts that go to make up this article. This is a component part, and this here [indicating].

Mr. GRAHAM. Without dividing the cost into labor, or overhead, or material, but they simply say such and such a plate costs so much?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Such and such a set of bolts cost so much, and so on?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Now, was that all you could get?

Mr. GRAFKE. Well, they finally—that was all we could get at that time, in June. Finally they set up the labor so that we could get the cost by component parts.

Mr. GRAHAM. Were you ever able to get the cost in detail; that is, what the labor cost and what the material cost?

Mr. GRAFKE. Yes.

Mr. GRAHAM. And so on, to make this gun carriage.

Mr. GRAFKE. Yes, sir; that gun, and the component cost of that gun carriage, direct labor, overhead, material, and the administrative.

Mr. GRAHAM. Was that enough for your purposes?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. To give the Government the information it needed to figure a cost sheet?

Mr. GRAFKE. Yes; if they give us—when production—if they had given us an inventory at the time that production ceased of the State that that work was in at the time work stopped.

Mr. GRAHAM. Did they do that?

Mr. GRAFKE. No; they didn't do that.

Mr. GRAHAM. Well, did you ask for it?

Mr. GRAFKE. We have asked for it, yes; and that is what I gave you a few moments ago to get for me.

Mr. GRAHAM. They never have furnished you that?

Mr. GRAFKE. They never have furnished that; no, sir.

Mr. GRAHAM. Well, do you know why they didn't furnish it?

Mr. GRAFKE. No; I haven't any idea.

Mr. GRAHAM. Did they tell you?

Mr. GRAFKE. They told me; told Mr. Blakey and myself that they didn't have it, couldn't get it. They have always had some excuse. They have referred us to one man, and then they would refer us to another man to give it to us, and the result has been that we never got it.

Mr. GRAHAM. Well, did you have the same kind of trouble in trying to get your cost during the year 1918 that you have detailed about this?

Mr. GRAFKE. Yes; we had difficulty in getting them to set up their labor by component costs, and finally Manager Nicholson come out there and impressed upon them that it was absolutely necessary to have it by components, although we ought to have it by operation, and finally they agreed to give it to us, and I forget what day that was, either August—it may have been July, I don't remember—and they set up their labor by costs, by component parts.

Mr. GRAHAM. Was that after the price fixed by—after the profit of \$4,000 had been agreed upon?

Mr. GRAFKE. That was before.

Mr. GRAHAM. Did you get the information so that you were able to furnish it to Col. Hughes and Mr. Russell before the time that the \$4,000 and cost profit was fixed?

Mr. GRAFKE. I don't know as they ever asked us for it. It was estimated by Mr. Church and Vail, I believe, and the Government—and the Standard Steel Car Co.

Mr. GRAHAM. They estimated how much that should be?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Did you ever, Mr. Grafke, any place along the road, make an estimate of how much the cost of production of that gun carriage was?

Mr. GRAFKE. You mean now?

Mr. GRAHAM. Yes. How much it cost them during 1918, or in the early part of 1918.

Mr. GRAFKE. No, sir.

Mr. GRAHAM. Do you know from any source what it cost to produce that gun carriage at the Watertown Arsenal?

Mr. GRAFKE. No; only by hearsay.

Mr. GRAHAM. What sort of hearsay? Where did you get your information?

Mr. GRAFKE. Well, I heard it discussed at the plant.

Mr. GRAHAM. The Watertown Arsenal plant?

Mr. GRAFKE. No; at the Standard Steel Car Co. plant.

Mr. GRAHAM. Did you ever discuss it with any of the officials of the company?

Mr. GRAFKE. No, sir.

Mr. GRAHAM. What, in a general way, do you understand the cost to be at Watertown?

Mr. GRAFKE. Well, around 50,000, I have heard.

Mr. GRAHAM. You are not sure about that?

Mr. GRAFKE. No, sir.

Mr. GRAHAM. We are informed in a general way it was in the neighborhood of 29,000.

Mr. GRAFKE. At Watertown?

Mr. GRAHAM. Yes.

Mr. GRAHAM. I never heard that. I figured up here what the gun carriage was at the Standard Steel Car Co.

Mr. GRAHAM. What do you figure it cost here to build it?

Mr. GRAFKE. The 200 carriages?

Mr. GRAHAM. Yes.

Mr. GRAFKE. Between thirty and thirty-five thousand, probably a little less.

Mr. GRAHAM. How did you figure that, Mr. Grafke? Have you got a cost sheet you could let us have?

Mr. GRAFKE. Yes. I have got it here. I have got the total expenditures here.

Mr. GRAHAM. Yes. You can read them into the record if you care to.

Mr. GRAFKE. Well, the direct material——

Mr. GRAHAM. I tell you what you might do; if you have got it there, read it to the committee and the reporter can just insert it in his record. It is an itemized account.

Mr. JEFFERIS. You want this taken down?

Mr. GRAHAM. Yes.

Mr. JEFFERIS. You want what he says taken down?

Mr. GRAHAM. Yes.

Mr. GRAFKE. This is an estimate, of course, and it will have to be substantiated by an audit, providing we get those production sheets from the Standard.

Mr. GRAHAM. You can not find out what that cost is until you get those production sheets?

Mr. GRAFKE. No; there is no chance. We will have to have those production sheets and a complete inventory of everything out at that plant in order to give you a cost of the 200 carriages. There is no way that you can do it.

Mr. GRAHAM. Will you give us your estimate as nearly as you can make it there.

Mr. GRAFKE. Yes, sir. Now, that work that was done at the contractor's plant, I figure 75 per cent went into the 200 carriages,

amounting to \$1,889,354.34. I figure 25 per cent of the direct material went into the 200 carriages, amounting to \$1,315,665.29. I figure the direct labor that the 75 per cent of the total expenditures went into the 200 carriages, amounting to \$839,526.87. The factory overhead, 75 per cent, \$1,732,054.95, and the administrative and general, I figure, \$578,430.48. Amounting to a total of \$6,355,031.93. Dividing that by 200 makes the cost per carriage \$31,775.16.

Mr. GRAHAM. You are fairly well satisfied, are you, Mr. Grafke, that that estimate is within reason and pretty close to the facts?

Mr. GRAFKE. That will be pretty close. It will be around \$30,000. Of course, that is estimated, you know.

Mr. GARRETT. I would like to ask, Does that include the \$4,000 profit on each one?

Mr. GRAFKE. No, sir; that is exclusive.

Mr. GARRETT. Exclusive?

Mr. GRAFKE. When they made that \$4,000—when they agreed to give that \$4,000 profit—

Mr. GRAHAM. A little louder, please.

Mr. GRAFKE. Why, the Standard Steel Car Co. figured that those carriages would cost over \$50,000, and the Government engineers estimated that it would be around \$35,000; so they compromised on \$4,000.

Mr. GRAHAM. In order to verify those figures, better let the reporter have that sheet.

Now, Mr. Grafke, do you know about this Lyndora Hotel that was built out at Hammond there?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. That was outside of the grounds of the Standard Steel Car Co., was it?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. How far from their place?

Mr. GRAFKE. About 600 feet, I guess.

Mr. GRAHAM. Is this plant in the town itself, or does it lie outside of the town?

Mr. GRAFKE. Why, probably 2 miles from the heart of the city.

Mr. GRAHAM. But in a populous district, is it?

Mr. GRAFKE. Well, yes; there is quite a few residents in that section. Of course, the United States Housing Co. put up over 200 houses there.

Mr. GRAHAM. But they built this hotel clear outside of their grounds?

Mr. GRAFKE. Yes; outside of their grounds.

Mr. GRAHAM. Now, if the dormitory or clubhouse is in the grounds—isn't it?

Mr. GRAFKE. Yes; right in the offices, right connected with the general office.

Mr. GRAHAM. And is an institution that they can use right along, of course?

Mr. GRAFKE. Yes, sir; it is attached to the offices, to the general offices.

Mr. GRAHAM. Now, let me ask you: Some of the officers of the Standard Steel Car Co. lived at that club, didn't they?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Mr. Vail and Mr. Church and others lived there?

Mr. GRAFKE. Yes; and Maj. Bayliss.

Mr. GRAHAM. And Maj. Bayliss; they were there during the life of the entire contract, weren't they?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Well, did they pay anything at the club?

Mr. GRAFKE. Not that I know of.

Mr. GRAHAM. Wasn't it your understanding that those gentlemen of the Standard Steel Car Co. stayed there free of expense?

Mr. GRAFKE. That was my understanding; yes.

Mr. JEFFERIS. You mean officers of the Standard Steel Car Co.?

Mr. GRAHAM. Yes, and some of the Government officials. Mr. Vail and Church, of course, were Government officials.

Mr. GRAFKE. They were Government officials; yes, sir.

Mr. GRAHAM. Now, were these gentlemen who were working for for the Government also allowed during the time they were there a per diem for expense?

Mr. GRAFKE. That I do not know, what was the rule about that.

Mr. GRAHAM. Isn't a per diem of \$4 per day allowed—

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM (continuing). For Government officials who are working at that sort of jobs?

Mr. GRAFKE. Well, as far as our department is concerned, if we are stationed, we get our transportation out there, and we are not allowed a per diem allowance, but I don't know how that operates with the inspection division or the production division. I presume—

Mr. GRAHAM. Is that because you live in Chicago and are supposed to have your office here? Do you know whether Vail and Church and those other fellows got that per diem while they were out there?

Mr. GRAFKE. Well, I couldn't swear to that; I couldn't tell you, to be honest. I don't know whether they were or not, I have never seen anything about that.

Mr. GRAHAM. What is your understanding about it?

Mr. GRAFKE. Well, my understanding is that they got it.

Mr. GRAHAM. Well, that is my understanding also.

Mr. GRAFKE. Yes; that is my understanding, but I couldn't swear to that.

Mr. GRAHAM. Maj. Bayliss stayed there, too?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Do you know anyone else?

Mr. GRAFKE. They took their meals there, their lunches. From the time—Baylis came into Chicago every day, I think Mr. Vail stopped there occasionally, and Mr.—they took their lunch there. That was run at the company's expense. We didn't absolve any of the expense, which was part of this contract, although they put it later in the claim.

Mr. GRAHAM. It came into the claim there?

Mr. GRAFKE. Yes.

Mr. GRAHAM. And they got an allowance for the loss on it?

Mr. GRAFKE. I believe so.

Mr. GRAHAM. Well, that loss, of course, includes the ~~tax~~ the fellows who didn't pay.

Mr. GRAFKE. I see.

Mr. GRAHAM. Well, now, let's go into this Standard Electric Contracting Co. a little. Did you have something to do with that?

Mr. GRAFKE. Well, Mr. Blakey handled that principally, he had charge of that.

Mr. GRAHAM. Well, you know about it, don't you?

Mr. GRAFKE. Well, I know, yes, I know something about it.

Mr. GRAHAM. Did you, at any time, know anything about an audit of that business?

Mr. GRAFKE. Yes, sir; yes.

Mr. GRAHAM. Do you have any minutes in your possession of the audit that was made?

Mr. GRAFKE. No, I haven't any minutes with me.

Mr. GRAHAM. For instance, I have here——

Mr. GRAFKE. I can verify those.

Mr. GRAHAM (continuing). A report to Mr. J. A. Vail, chief production officer——

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Signed by Mr. Blakey. I will ask you to look at it. [Handing paper to Mr. Grafke].

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Here is another one [handing to Mr. Grafke].

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Now, after looking over those accounts, which I will ask to have the reporter put in the record at this place, can you tell me whether the papers that you have in your hands correctly disclose the condition of affairs as you understand them in the Standard Electrical Contracting Co., or engineering company, claim?

Mr. GRAFKE. Yes sir.

(The reports referred to are as follows:)

HAMMOND, IND.,
September 30, 1919.

J. A. VAIL,

Chief Production Officer, Standard Steel Car Co., Hammond, Ind.

The following were present at the meeting in connection with subcontract No. 831 of the Standard Electrical Engineering Co.: Messrs. W. H. Crawford, R. W. Weir, and creditors of said company; Maj. H. W. Goddard, representing Plant Section, Production Division, Washington, D. C.; Maj. H. C. Bayless, chief inspection officer at this plant; Lieuts. Harold Barron and John M. Toucey, production officers at this plant; Messrs. Field, J. S. Church, special representatives of the Government; Messrs. P. G. Jenks, C. S. Fletcher, A. Schnelder, A. Christianson, and G. H. Myrick, representatives of the Standard Steel Car Co.; Messrs. Ervin Dryer, representing Ordnance Department of the Chicago district office, and A. G. Soderberg, of the L. H. Lamont & Co., Electrical Contracting Engineers, Chicago, Ill.

Mr. Dryer was asked to read the report dated September 20, 1918, which was prepared by Mr. Soderberg and himself. The contents of the report condensed would be about as follows: Electric-light work done not covered by any contract. He criticized the placing of subpower station about 200 feet south of switchboard, which materially increased cost of cables, as many feet of cable used in retracing distance which it would not have been necessary to cover if the same had been located near buildings Nos. 10 and 11.

A. Schneider, of the Standard Steel Car Co. stated that Maj. Park, formerly chief production officer at this plant approved the location. (As a matter of fact, the same was built before Maj. Park came to this plant. Labor charges in February, 1918, special purchase summery No. 35, and Maj. Park came here after that date, or Mar. 10, 1918.)

The report stated that six times as much cable was used as is in use or will be necessary during the life of contract C. F. 331. Also, two-thirds more copper put in than was necessary or is in use.

At this point Maj. Goddard said that the Standard Steel Car Co. was trustee of the Government's money, and if they had spent it unnecessarily they were responsible and would have to pay for excess expenditures.

Mr. Dryer's report showed a total estimate of \$90,621.06 for materials actually used. Labor actually performed, \$26,857.43. To the total of these two amounts he had added \$23,495.68 as a 20 per cent overhead and \$14,097.40 as a 10 per cent profit. This made a total estimate for work done of \$155,071.57. Whereas the report also shows that \$61,604.27 could have been saved by contracting on a regular bidding basis, putting in proper amount of materials and labor. In other words, the job should have cost only \$93,467.30, including 20 per cent overhead and 10 per cent profit. This is the amount estimated by L. H. Lamont & Co.'s estimator and Mr. Dryer. Entire job done in a circuitous manner.

The total bills as rendered by Standard Electrical Engineering Co. aggregate \$266,589.32. This amount includes \$40,383.84 as 20 per cent overhead and \$24,230.31 as 10 per cent profit. Also materials on hand not used or needed estimated to aggregate \$40,000. After deducting these three amounts and then adding \$8,500 for estimated overhead and then 10 per cent profit their bills would be \$187,522.69 against Mr. Dryer's estimate of \$93,467.30, or a net difference of \$94,055.39, to which should be added overhead estimate of \$23,495.68 and deducting \$11,185.43 overhead, which should have been saved and \$8,500 estimated actual overhead, or a net difference of \$97,866.64.

Maj. Goddard then said it appeared that the job should have cost between \$75,000 and \$85,000, with proper amount of overhead, and that the Government would be satisfied to settle on that basis. Mr. Jenks, of the Standard Steel Car Co., then said they reserved the right to have outside engineers investigate the job to determine the cost as should have been. Therefore, Maj. Goddard replied that Messrs. Vail and Dryer were appointed to confer jointly with the engineers, as selected by the Standard Steel Car Co., to determine the proper cost of the job, taking into consideration all changes from the beginning and to suggest a basis of settlement.

Based on Mr. Dryer's report, the cost should have been as follows:

Materials actually used (his estimate)-----	\$90, 621. 06
Labor performed-----	26, 857. 43
Labor, overtime per audit-----	10, 000. 00
Overhead per audit not completed (estimated)-----	7, 500. 00
Total -----	134, 978. 49
Less should have been saved if work had not been done in circuitous manner-----	61, 604. 27
	73, 374. 22
Add 10 per cent profit-----	7, 337. 42
Total cost should have been -----	80, 711. 64

The above are my minutes of the meeting.

L. J. BLAKEY,
Accountant in Charge.

DECEMBER 21, 1918.

From: Harold Barron, first lieutenant, Ordnance Department, United States Army, Standard Steel Car Co., Hammond, Ind.

To: Maj. E. F. Norton, price approval officer, Chicago district ordnance, 155 East Superior Street, Chicago, Ill.

Subject: Standard Electric Engineering Co. subcontract with Standard Steel Car Co., war order CF-331.

1. Since your instructions to me when in Chicago the 19th instant, I have gone over with Mr. Blakey, United States accountant in charge at this plant, to ascertain the amounts reimbursed to Standard Steel Car Co., and also to arrive at a fair and reasonable total payment for the work done to date.

2. Our joint findings are as follows: United States Government has paid to Standard Steel Car Co. on summaries 55, 56, and 59, \$70,597.40, together with an

advance 80 per cent payment on voucher No. 76, \$59,473.30. This last amount, however, will be deducted from December summaries and charges back to the Standard Steel Car Co.

3. In looking over the report of investigation made by Mr. Dryer we find that the following is a fair estimate of the amount that ought to be paid by the United States:

Government to the Standard Steel Car Co.:

Material, as per Mr. Dryer's estimate.....	\$90,621.06
Labor, of that actually put in.....	26,857.43
	117,478.49
Overhead, as per audit.....	6,905.84
	124,384.33
Estimated amount of overtime to be paid, as per audit.....	10,000.00
	134,384.33
10 per cent profit, as approved.....	13,438.43
	147,722.76
Amount that could have been saved had proper amount of material and labor been put in (Mr. Dryer).....	61,604.27
	86,118.49

This will leave a balance of \$15,521.09 to be paid, if above figures are approved by you.

4. I would like your opinion on this before writing the letter to the Standard Steel Car Co. that you instructed me to dictate from our previous conversation.

HAROLD BARRON,

First Lieutenant, Ordnance Department, United States Army.

Mr. GRAHAM. Well, according to those figures, what would the Government accountants find was due this company?

Mr. GRAFKE. Well——

Mr. GRAHAM. In the neighborhood of \$70,000, wasn't it?

Mr. GRAFKE. From the time Goddard was out here he estimated, based on Mr. Dryer's estimate, that we should pay the Standard Electric Co. about \$80,000. That would cover the wiring to operate that plant in making the 9.5 gun carriage.

Mr. GRAHAM. Mr. Dryer was who?

Mr. GRAFKE. I believe he was a Government engineer.

Mr. GRAHAM. Sent here?

Mr. GRAFKE. Sent there by the Government.

Mr. GRAHAM. By the Ordnance Department?

Mr. GRAFKE. I believe so; yes.

Mr. GRAHAM. Yes. Did he go over the plant and make an estimate?

Mr. GRAFKE. He went over the plant and made an estimate.

Mr. GRAHAM. Now, was that at the request of anyone, Mr. Grafke?

Mr. GRAFKE. Yes; that was at the request of——

Mr. GRAHAM. To refresh your memory, didn't the Standard Steel Car Co. and the Government, being unable to agree, unite in a request that a Government accountant be sent out there to check that thing up, and that as a result of that Dryer went?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Well, now, after Dryer made his report, what was done with it?

Mr. GRAFKE. Well, we vouchered up—we agreed to voucher—reimburse them for \$80,000, and, of course, we had already reimbursed

them for \$70,000, and we agreed to give them \$10,000 more, and, of course, they would not accept it. In fact, we had it all made up, and submitted a summary of that amount to be paid, and they returned it.

Mr. GRAHAM. That is, the Standard Steel Car Co.?

Mr. GRAFKE. Yes; returned it to us. They wouldn't sign it, so we left it open, and they left it in unapproved purchases, to put in a claim; that is, whatever they had coming. That is, of course, they had spent \$188,000 altogether.

Mr. GRAHAM. Am I right in saying that after these gentlemen had requested—I mean the officers of the Standard Steel Car Co.—that after they had requested a Government engineer to make this estimate, and after the estimate had been made, this estimate was rejected?

Mr. GRAFKE. Rejected; yes, sir.

Mr. GRAHAM. Do you know whether the Government officials in charge of the plant concurred in that rejection or not?

Mr. GRAFKE. I couldn't say.

Mr. GRAHAM. All you know is, it was rejected?

Mr. GRAFKE. Rejected. In fact, we would not reimburse them for more than \$80,000.

Mr. GRAHAM. How much had you paid them in cash?

Mr. GRAFKE. Seventy thousand dollars, approximately.

Mr. GRAHAM. Well, is this item of one hundred and twenty-one odd thousand dollars in the final award the balance of that claim?

Mr. GRAFKE. Yes; that is the balance of it.

Mr. GRAHAM. So that you finally paid them, if that award is paid in full, approximately \$191,000?

Mr. GRAFKE. One hundred and ninety-one thousand dollars; yes, sir.

Mr. GRAHAM. What did they do out there, anyhow, Mr. Grafke? What was their work?

Mr. GRAFKE. To wire the plant; to put electric wiring throughout the plant, to make this 9.5-inch gun carriage, motor power.

Mr. GRAHAM. Well, did they wire the entire plant?

Mr. GRAFKE. The Ordnance Department.

Mr. GRAHAM. Well, I mean the whole of the building in which this work was to be done?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Well, didn't the Standard Steel Car Co. have the wiring in it before?

Mr. GRAFKE. Not sufficiently to run this plant.

Mr. GRAHAM. Did they do a new job throughout?

Mr. GRAFKE. Well, that I don't know, whether it is a new job, or how much was there at the time, but at any rate they let this contract—give this contract to the Standard Electric Co. to wire this plant to make this gun carriage.

Mr. GRAHAM. Who was the Standard Electrical Engineering Co.? Were they in any way connected with the Standard Steel Car Co.?

Mr. GRAFKE. Not that I know of.

Mr. GRAHAM. Do you know whether any of their officers were the same?

Mr. GRAFKE. No; not that I know of.

Mr. GRAHAM. Mr. Dryer, in his report, mentioned several items. He speaks of the placing of a subpower station about 200 feet south

of the switchboard, which materially increased the cost of cable, as many feet of cable were used in retracing the distance which it would not have been necessary to cover if the same had been located near buildings—practically 10,000. What do you know about that situation?

Mr. GRAFKE. I am not qualified to answer.

Mr. GRAHAM. You are not an electrical engineer, and do not know?

Mr. GRAFKE. No, sir. Of course, that is up to Mr. Dryer.

Mr. GRAHAM. Did you ever know anyone to successfully refute any of these statements that he makes in this report—Mr. Dryer?

Mr. GRAFKE. No; not outside of the Standard.

Mr. GRAHAM. They simply said they would not stand for it, and that is all there was to it?

Mr. GRAFKE. That is all there was to it; yes, sir.

Mr. GRAHAM. Throughout this whole job has this company assumed a conciliatory attitude toward the Government? What has been its attitude in general toward the officers of the Ordnance Department and the Government accountants on the job?

Mr. GRAFKE. Well, they have been a little—they have not given us the proper cooperation that they should.

Mr. GRAHAM. Who seems to have been in charge out there of the plant? With whom did you negotiate most of your business?

Mr. GRAFKE. Mr. C. S. Fletcher, works accountant.

Mr. GRAHAM. Did you have anything to do with Mr. Cory?

Mr. GRAFKE. No. Mr. Cory did not come out there until final settlements of the subcontractors' claim and the final settlement of that claim.

Mr. GRAHAM. Where was Cory most of the time, if you know?

Mr. GRAFKE. I understand he was located in New York, and his title, I believe, is assistant to the president.

Mr. GRAHAM. According to the best of your knowledge and belief, Mr. Grafke, is this audit in these reports which we have introduced in evidence of these affairs of the Standard Electrical Engineering Co. correct?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. I think, while looking up some matters, Mr. Jefferis, I will ask you to proceed, if you wish to ask him anything.

Mr. JEFFERIS. Your name is G-r-a-f-k-e?

Mr. GRAFKE. Yes, sir.

Mr. JEFFERIS. Mr. Grafke, can you tell us anything as to the amount and value of the material that was sent from the Standard Steel Car Co. to the Watertown Arsenal?

Mr. GRAFKE. Well, that is hard. That would be merely an estimate. The inspection division would be more qualified to tell you—to give you an estimate on that—that I would be, because they have handled it. Outside of our department.

Mr. JEFFERIS. Well, that was one that Bayliss had?

Mr. GRAFKE. Bayliss, yes. There are several inspectors still out there that could probably give you a more accurate estimate than I could for what material has been shipped to Watertown Arsenal or the different arsenals throughout the country.

Mr. JEFFERIS. Were you looking for something there.

Mr. GRAFKE. I was.

Mr. JEFFERIS. If there is anything you wish to add, you may do so.

Mr. GRAFKE. No; there isn't anything that I care to add to that, because——

Mr. JEFFERIS. Mr. Grafke, you were out there, as I remember, from June, 1918?

Mr. GRAFKE. From June, 1918; yes.

Mr. JEFFERIS. What is the fact, Mr. Grafke, as to your observation there as to money expended for parties or anything of that kind by the Standard Steel Car Co.? Were there many parties given out there?

Mr. GRAFKE. No; not that I know of.

Mr. JEFFERIS. Do you know of any presents being given by that company to any officers connected with the Government?

Mr. GRAFKE. Not that I know of.

Mr. JEFFERIS. Do you know of any automobiles?

Mr. GRAFKE. No, sir; not that I know of.

Mr. JEFFERIS. Did you hear of any?

Mr. GRAFKE. No, sir.

Mr. JEFFERIS. They make automobiles, don't they, the Standard Steel Car Co.?

Mr. GRAFKE. Yes, sir; they make automobiles.

Mr. JEFFERIS. What automobiles do they make? What kind do they make?

Mr. GRAFKE. Make an automobile called the Standard.

Mr. JEFFERIS. Any of the officers using any of those?

Mr. GRAFKE. The Government furnished one for the production division and one for the inspection division, for the use of the officers.

Mr. JEFFERIS. Did you hear of any presents given to anybody by the Standard Electric Co. out there?

Mr. GRAFKE. Well, Mr. Blakey is more qualified to answer that than I am. Yes. He can, I believe, give you that.

Mr. JEFFERIS. Where do they make these automobiles, out there, the Standard Steel Car Co.?

Mr. GRAFKE. In Butler, Pa.; that is their home office, that is the main plant, Butler and Newcastle, Pa.; those are the two main plants. Their home office is located at Butler.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett?

Mr. GARRETT. Nothing. Just a minute. Mr. Grafke, you heard the testimony of Mr. Miller, going over this award, item by item?

Mr. GRAFKE. Yes, sir.

Mr. GARRETT. Have you examined that award in the same way that Mr. Miller did?

Mr. GRAFKE. Yes, sir.

Mr. GARRETT. Do you concur with the ideas expressed by him in his testimony attached to these different items?

Mr. GRAFKE. Well, I didn't hear all the items.

Mr. GARRETT. Take the \$99,000 item, the first one there; what comment, if any, have you to make on that item?

Mr. GRAFKE. I believe that inasmuch as we have already absorbed 6 per cent depreciation on the value of that plant, that this item should not be allowed.

Mr. GARRETT. Were you present at that meeting at Hammond when representatives of the different claims boards from Washington were present?

Mr. GRAFKE. No, sir. Mr. Blakey was present.

Mr. GARRETT. You were not present?

Mr. GRAFKE. I was not present; no, sir. I was Mr. Blakey's immediate assistant.

Mr. GARRETT. Was any other representative of the auditor's board there except Mr. Blakey?

Mr. GRAFKE. Mr. Blakey was the only man who was there.

Mr. GARRETT. Do you know anything about this salvaged material that we hear a lot of?

Mr. GRAFKE. No.

Mr. GARRETT. Did any evidence come under your observation in any way?

Mr. GRAFKE. No.

Mr. GARRETT. In any official way, I mean.

Mr. GRAFKE. No; no official way. I know they were out at the plant, bidding on it, and probably the store section can give you the information you want in reference to that.

Mr. GARRETT. Did any of the Chicago district claims board ever consult with you about that, or any of these other items, when here, in any way?

Mr. GRAFKE. No, sir.

Mr. GARRETT. Your voice was never sought concerning any of those matters?

Mr. GRAFKE. Never sought; no, sir. We made an emphatic statement that we wanted to—to Col. McFarland—

Mr. GARRETT. A little louder, please.

Mr. JEFFERIS. A little louder. I can't hear you.

Mr. GRAFKE. That this award was made without an audit.

Mr. GARRETT. You say, "We made an emphatic statement." You and Mr. Blakey, were you there when he talked?

Mr. GRAFKE. Yes, sir; when that statement was made I was with him.

Mr. GARRETT. To Col. McFarland?

Mr. GRAFKE. Yes; we wanted it understood that there was no audit made of the figures in that award.

Mr. GARRETT. Where did that conversation occur, Mr. Grafke?

Mr. GRAFKE. That occurred in the Chicago District Office.

Mr. GARRETT. Well, following that statement to Col. McFarland by Mr. Blakey, and that was in your presence, as I understand?

Mr. GRAFKE. Yes, sir.

Mr. GARRETT. Were you invited into the room, where a further conference ensued?

Mr. GRAFKE. No, sir; no.

Mr. GARRETT. Mr. Blakey went in?

Mr. GRAFKE. Mr. Blakey went in. I was outside; remained outside.

Mr. GARRETT. And you didn't hear any of the conversation that passed in there?

Mr. GRAFKE. No, sir; I didn't.

Mr. GARRETT. Col. Russell, I mean Col. Hughes didn't subsequently discuss it with you?

Mr. GRAFKE. No; I didn't talk to Col. Hughes on this matter at all.

Mr. GARRETT. You didn't talk with Col. Reeves either, did you?

Mr. GRAFKE. No, sir.

Mr. GARRETT. Just Col. McFarland?

Mr. GRAFKE. Col. McFarland and Mr. Graves was present.

Mr. GARRETT. When Mr. Blakey made that statement to Mr. McFarland?

Mr. GRAFKE. Yes, sir.

Mr. GARRETT. How long did that conversation last between Mr. Blakey and Col. McFarland in your presence; do you remember?

Mr. GRAFKE. Probably five minutes, approximately five minutes. Of course, I was called aside then.

Mr. GARRETT. You mean who was called?

Mr. GRAFKE. Mr. Blakey.

Mr. GARRETT. Was anything said to Col. McFarland in that conversation about this salvage offer of Briggs & Turivas?

Mr. GRAFKE. No, sir.

Mr. GARRETT. No phase was mentioned except the audit phase?

Mr. GRAFKE. That is all.

Mr. GARRETT. That is right. All right.

Mr. GRAHAM. I find among the papers a copy of a report of Maj. H. W. Goddard, to be called to the attention of Mr. Jenks of the Standard Steel Car Co. relative to a conference held in Mr. Vail's office on Monday afternoon, September 30. I wish you would look at it, and tell us whether you have ever seen that letter before, or that report. [Handing to Mr. Grafke.]

Mr. GRAFKE. Yes; I have seen this before, but I was not present at that conference.

Mr. GRAHAM. So far as you know, is that a true copy of the original report on that subject?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Maj. Goddard was in charge of what particular work at that time?

Mr. GRAFKE. Now, I couldn't say definitely. He was stationed at Washington, in the Ordnance Department.

Mr. GRAHAM. The Ordnance Department sent him out here to investigate this matter, did it?

Mr. GRAFKE. To investigate the matter; yes, sir.

Mr. GRAHAM. Yes. Well, we will put this report to Maj. Goddard in the record at this point.

(The report referred to is as follows:)

OCTOBER 1, 1918.

STANDARD STEEL CAR Co., *Hammond, Ind.*

GENTLEMEN: Attention Mr. Jenks.

Subject: Standard Electric & Engineering Co., and electrical work in connection with added facilities.

1. Reference is made to conference held in Mr. Vail's office Monday afternoon, September 30, at which the following, among others, were present: Messrs. Vail, Dryer, Blakey, Church, Field, Maj. Goddard, Lieut. Toucey, Lieut. Barron, Maj. Bayless, and Messrs Jenks, Christianson, Fletcher, Snyder, Myrick, Weir, Crawford, and representatives of the creditors of the Standard Electric & Engineering Co.

2. In connection with the electrical work installed it was noted, among other things, that the Standard Steel Car Co. had proceeded with the work without preparing or having prepared proper drawings; that the substation was not

located in its logical location; that a great deal of the electrical work was put in from a view to economy, especially in that the longest way around was very frequently taken, and that a great deal more electrical work and material had been furnished by the Standard Steel Car Co. than was covered by their great agreement with the Government; also that the Standard Steel Car Co. had agreed with the Government to furnish only necessary facilities and to furnish them at the best prices possible, and that such facilities as furnished were to be of such quality as might reasonably be assumed would prove serviceable for a period of three to five years.

3. Mr. Jenks, from the car company, informed those present that the proper drawings had not been prepared on account of various changes being made from time to time in the work; but it was held that this was no excuse, inasmuch as drawings should have been prepared containing the best information available, and then revised from time to time as circumstances warranted.

4. It was stated that the substation was located in accordance with the approval of Maj. Park, but on request to be shown his approval it was not forthcoming, and until such time as this is received, it is to be assumed that the responsibility for the substation in its present location was that of the Standard Steel Car Co.

5. Mr. Blakey stated that invoices had been presented totaling approximately \$266,589.32, made up as follows:

Labor and material-----	\$201, 975. 17
Overhead-----	40, 383. 84
Profit-----	24, 230. 31

6. The question of overhead of \$40,383.84, together with a profit of 10 per cent thereon, was waived with request, however, that an audit be made and the electric company be reimbursed for the actual overhead expended by them. Mr. Blakey stated that an approximate audit had already been made, and that they had spent as overhead on the work done in the neighborhood of \$8,500, instead of over \$40,000 as billed.

7. It was also noted that a great deal of unused material was on hand which Mr. Blakey thought was worth at least \$40,000.

8. The meeting was informed that Mr. Dryer had made a disinterested investigation with a view of determining what electrical work was necessary to the proper operation of the plant—in other words, the amount of electrical work which the Standard Steel Car Co. had authority to install under that contract. His report showed the reasonable value of the work done—that is, the necessary work and the unnecessary work.

9. Mr. Dryer stated that the work put in, namely, material, labor, and profit, was reasonably worth \$117,388.49. This figure was only on assumption that no overtime was necessary, and that the 10 per cent profit was sufficient to reimburse the contractor for his services and take care of his overhead.

10. Mr. Dryer then reported upon the electrical work necessary to achieve the results desired, namely, total cost of labor, material, and profit, \$78,891.82, based on the assumption that no overtime was necessary.

11. After considerable discussion as to overtime, overhead, etc., Maj. Goddard summarized the various points brought up at the meeting, stating in his opinion, which was based upon the information presented at the meeting and the investigation gathered by him at the time of his inspection of the electrical work on September 27, that the amount of money in which the Standard Steel Car Co. could request the Government to reimburse it for electrical work required in connection with added facilities was approximately \$84,000.

12. The representatives of the creditors of the Standard Electric & Engineering Co. called attention to the fact that considerably more work and money had been expended than \$84,000, and asked Maj. Goddard who was to reimburse them. Maj. Goddard stated that that was a matter for the Standard Steel Car Co. to decide.

13. Mr. Jenks stated that he did not think it was quite just to the Standard Steel Car Co. to accept the opinion of Mr. Dryer and Maj. Goddard in this matter, and requested permission to have an inspection made by another disinterested and capable engineer.

14. The meeting adjourned with the agreement that the Standard Steel Car Co. have an inspection made by a capable and disinterested engineer; when his report is ready a conference is to be arranged between their engineer and the Government engineer, Mr. Dryer, and a representative of the Ordnance Department, and it was agreed that the two engineers should compare their

respective reports and reach an agreement as to the amount of electrical work and its proper cost necessary to achieve the production results desired, the third man to decide the items upon which they could not agree.

15. The findings of this conference will determine the proper recommendation and request which the Standard Steel Car Co. should make to the Government for reimbursement for electrical work.

Respectfully,

H. W. GODDARD,
Major, Ordnance Department, United States Army.

Mr. GRAHAM. Do you know where the report of Mr. Dryer on the Standard Electrical Engineering Co. can be found? We do not have a copy of it.

Mr. GRAFKE. I do not know. I do not think I have a copy of that.

Mr. GRAHAM. Mr. Vail should have a report of that. The production division should furnish you with that report. A letter was received from Maj. Tewksbury of the cost accounting section of the Ordnance Department during the pendency of this matter by the Chicago district ordnance office, and particularly for the attention of Mr. Charles R. Miller, supervisor, who has heretofore testified, in which Maj. Tewksbury writes relative to the attitude of Col. Hughes about this particular claim. Do you have a copy of that letter?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. Do you have it here with you?

Mr. GRAFKE. No; I have it in my files.

Mr. GRAHAM. In that letter Col. Hughes has been consulted, and Maj. Tewksbury writes as follows:

In his conference with the writer Col. Hughes emphasized the fact that it was the desire of the War Department Claims Board to settle the claims of the Standard Steel Car Co. as soon as possible, without the great delay which would be involved in a complete audit of the accounts and the checking of the inventory.

Do you know whether that is a correct excerpt from that letter?

Mr. GRAFKE. Yes, sir.

Mr. GRAHAM. I wish you would furnish the reporter with a copy of that letter which he may attach in his record before the committee. I think that is all, Mr. Grafke.

Mr. GRAFKE. You mean for me to furnish him?

Mr. GRAHAM. If you will; yes, sir.

(The letter referred to is as follows:)

SEPTEMBER 25, 1919.

From: Ordnance Office, Administration Division, Cost Accounting Section.
To: Chicago District Ordnance Office, Cost Accounting Section. Attention Mr. Charles R. Miller, supervisor.
Subject: Cost of 200 carriages and work in process, Standard Steel Car Co.—
CF—831.

1. Receipt is acknowledged of your letter of September 22, with inclosures delivered to this office by Col. Hughes.

2. In this conference with the writer, Col. Hughes emphasized the fact that it was the desire of the War Department Claims Board to settle the claim of the Standard Steel Car Co. as soon as possible without the great delay which would be involved in the complete audit of the accounts and the checking of inventory. I stated to Col. Hughes, in view of this fact, if the claims board desired to accept the responsibility of making such a settlement, the cost accounting section would not continue its work at this plant.

3. I did emphasize the fact, however, that if the cost accounting section was required to complete all payments on this contract in accordance with the functions authorized in office order No. 687 and claims board circular No.

74 that we would necessarily have to complete our detailed auditing of the costs and would have to secure from the stores and scrap section a complete inventory of the material on hand at the completion of the contract.

4. If it is the desire of the War Department Claims Board to settle this contract by negotiation, it will of course be necessary for your office to submit the final unit costs in accordance with instructions, and you are therefore authorized to prepare such a statement of expenditures on this contract, as you can prepare from the figures which you have already compiled and those which you will be able to secure from the claims board, covering the payments made by the board in final settlement of the claim.

5. In this case, I believe that you should secure written authority from the district chief for suspending your work at this plant, contrary to the instructions contained in office order No. 687, which authority should contain the explanation that it is the desire of the War Department Claims Board to settle this contract without the assistance of the cost accounting section.

6. You are advised, however, that these instructions will not apply to the contract for increased facilities, as we have been specifically ordered by the Chief of Ordnance to furnish the property section with the final analysis of increased-facilities cost in accordance with office order No. 72, and it will be necessary to complete this statement in accordance with those instructions, regardless of the stand taken by the War Department Claims Board in connection with such facilities.

C. L. TEWKSBURY,
Major, Ordnance Department, United States Army.

Mr. JEFFERIS. I would like to ask him something, Mr. Graham?

Mr. GRAHAM. All right.

Mr. JEFFERIS. Would you have been able to have completed a check-in or audit of these accounts if the Standard Steel Car Co. had furnished you the information that you desired from time to time?

Mr. GRAFKE. Yes, sir.

Mr. JEFFERIS. You would have had it all completed; that is, the accounting section would have had it completed before this award was made, would you, if you had had the information as you required it?

Mr. GRAFKE. Yes; about the time; about this time.

Mr. JEFFERIS. Referring again, Mr. Grafke, to your testimony, you say the Standard Steel Car Co. furnished an automobile to the inspection division and to the—what other division?

Mr. GRAFKE. The Standard Steel Car Co. did not furnish any automobiles to the inspection division, but the Government furnished the inspection division with an automobile, and the production division.

Mr. JEFFERIS. That was charged up as part of the costs, was it?

Mr. GRAFKE. No; that is not charged up as parts of the costs. That was put in the shape of a claim, and the Standard Steel Car Co. was reimbursed for those cars.

Mr. JEFFERIS. Well, then, the Standard Steel Car Co. got them in the first instance; paid for them in the first instance, didn't they?

Mr. GRAFKE. No. The way that happened the cost accountant or the finance division is not—can not reimburse the Standard Steel Car Co. for automobiles in a cost plus contract. Those cars are generally furnished by the quartermasters. But the production section approved an order to purchase two cars for the officers of the Ordnance Department, and the production division and the inspection division, and, of course, we would not reimburse them for those cars, because we did not have any authority to reimburse them, and we held it up, and finally they got the money in the shape of a claim. Those were purchased originally on authority from the production division, and when they wanted their money, of course, we could

not reimburse them, so they put it in the shape of a claim and got their money that way. They should have applied to the quartermaster division for those cars, and the Government would have furnished them to them.

Mr. GRAHAM. Were those cars salvaged?

Mr. GRAFKE. Yes; they went in. Yes; they went in with the salvage offer of \$900,000.

Mr. GRAHAM. I think that is all. There was something else I wanted to ask about, but it will probably come to my notice later. That is all, Mr. Grafke. Now, Mr. Hanna, if you will take the stand a moment.

TESTIMONY OF MR. FRANCIS D. HANNA—Continued.

Mr. GRAHAM. Mr. Hanna, we interrupted your examination yesterday to ask some questions of Capt. Day. This committee has been informed that some presents were given to some Government employees by people connected with the Standard Electrical Engineering Co., a chest of silver, I think, and an automobile, at a nominal price. What do you know about those transactions?

Mr. HANNA. Our division made some investigations of those charges, which we have not yet completed.

Mr. GRAHAM. Well, did you ascertain that the chest of silver had been given to anybody connected with this governmental work?

Mr. HANNA. We obtained copies of reports made by the plants-protection section, and also from the Department of Justice covering that matter.

Mr. GRAHAM. Will any public interest be injured, in your judgment, if you detail the facts to us?

Mr. HANNA. That is rather a hard question to answer at this time. We have in our files a rather extensive number of reports covering most of those transactions, and all of them are related more or less to this final settlement. So that you will understand just what I mean by that along about the 1st of May, I should judge, they called a meeting in the office of the Department Intelligence officer of all of the Government interests, that is, the representatives of the Ordnance Department, an agent of the Department of Justice and our office, to see if we could agree upon a plan of cooperation that would get all of the facts. At that meeting, as I recall, there were present Maj. Bayliss, Lieut. Clark, Mr. Miller of the cost-accounting section, Mr. May, a Mr. Hughes of the Department of Justice, and Mr. Vail, and Mr. Church.

Following that meeting we made a report suggesting that there were matters of grave importance to be considered in connection with this contract, matters that might involve serious charges of graft and fraud, and that our staff as it was organized could act merely as a clearing house under its present organization, and a conference followed that meeting, a conference with Chief of Ordnance Russell, and I think at that time Mr. Lyons was his chief assistant. They agreed with us that there should be a real investigation. It was at that time that Washington was informed that it might be necessary to expend as much as \$50,000 to get at all of these facts, and apparently Washington concurred. There was a conference between representatives of the Military Intelligence Division and rep-

representatives of the Ordnance Department in Washington. The Ordnance Department suggested certain names of experts that we deemed would be necessary to report on the engineering and the accounting issues involved. Then all at once the attitude seemed to change. There seemed to be an opinion on the part of the Chicago district ordnance officer that while there might have been graft in the shape of this presentation of the automobile or such details as were involved, as to whether it was a presentation or not, and the chest of silver that you mentioned, that these were matters that concerned the subcontractor in his relation to employees, rather than the settlement of the contract; that it would be a matter for investigation and punishment of the individual offender, and would have no bearing whatever upon the final settlement of the contract. So I requested at that time that in order to make our record clear that our office be so informed in writing, and that was the occasion of the letter that was mentioned at the time Capt. Day testified.

Mr. GRAHAM. Do you have that letter with you?

Mr. HANNA. Yes, sir.

Mr. GRAHAM. Let me have it please. [Hands letter to Mr. Graham.]

Mr. GRAHAM. The letter that the witness now refers to is a letter written by the Chicago district ordnance office, signed by Mr. E. A. Russell, and which I will have put into the record now.

(The letter referred to is as follows:)

ORDNANCE DEPARTMENT,
OFFICE OF ORDNANCE DISTRICT CHIEF,
Chicago, Ill., July 1, 1919.

From: Chicago District Ordnance Office.

To: The Department Intelligence Officer, 230 East Ohio Street, Chicago, Ill.

Subject: Standard Steel Car Co. (D. M. I. File No. M. I.-13, 10104-548).

1. This office acknowledges receipt of your letter of July 1, 1919, in regard to the Standard Steel Car Co. contract for 240 mm. howitzer carriages.

2. This office is of the belief that it is and has been for some time in possession of all the facts connected with this contract, including those in regard to which there may be some evidence or suspicion of graft or fraud.

3. This office also believes that any further investigation of the contract for the purpose of uncovering evidence of additional fraud or graft is unnecessary. As soon as the Chicago district ordnance office was established, steps were taken to get in thorough touch with the situation at Hammond, and as soon as possible representatives of the Ordnance Department of the highest integrity and with long business experience were placed on duty there. These representatives have in the natural course of business become familiar with all of the angles of the contract, and have kept in constant touch with this office.

4. The company has now filed its claim on the contract, and we are in a position to settle it and protect the Government's interests.

5. Your interest in this matter is understood and appreciated, and if in coming to an agreement with the company further evidence of graft or fraud is discovered you can rest assured that it will be presented to you promptly. In the meantime and under present conditions we feel that we can satisfactorily handle and close the entire transaction.

E. A. RUSSELL,
Ordnance District Chief.

A true copy.

ROGER S. DAY, *Captain, Infantry.*

Mr. HANNA. I think that it is only fair to call attention to the initials, showing that that letter was dictated by "E. S. H." That would indicate that it was dictated and signed; dictated by Col. Hughes, and signed by Mr. Russell.

Capt. DAY. That does not appear on this copy.

Mr. HANNA. Yes.

Capt. DAY. Where?

Mr. HANNA. It is the War Department number.

Capt. DAY. Oh, yes; it does.

Mr. GRAHAM. I have a copy of a telegram, signed Crockett, dated July 2, 1919, which I call to your attention. The telegram seems to refer to this same matter. What do you have to say about this telegram? Is that a copy of the telegram that is in your files?

Mr. HANNA. Yes; this is a copy of a telegram in our files, which was sent in answer, as I recollect now, to a message of even date, from the Director of Military Intelligence, asking for the status of the Standard Steel Car investigation.

Mr. GRAHAM. Do you know who sent that message that is signed Crockett?

Mr. HANNA. I am not positive, but probably it was dictated by me; if not, by Capt. Day.

Mr. GRAHAM. Can you show the captain, and settle between yourselves which one of you sent that message?

[Handing telegram to Capt. Day.]

Capt. DAY. I think Mr. Hanna sent it.

Mr. GRAHAM. Yes. Well, let the message go into the record here. (The telegram referred to is as follows:)

CHICAGO, July 2, 1919.

MILSTAFF, Washington:

No. 426, July 2.

Re telegram June 28, your file M. I. 18, 10104-5480. Chief of Ordnance satisfied of ability to fully protect Government's interests in case. Has had facts contained in our files before him for several months. Believes further investigation for evidence of additional fraud unnecessary and that unless new revelations are encountered in consideration of the company's claim that no further investigation should be made now. In this we concur. Letter follows.

CROCKETT.

Mr. GRAHAM. In that message you say, "In this we concur." Do you mean, Mr. Hanna, that you concur in the belief that it was not necessary to investigate this matter any more?

Mr. HANNA. Decidedly not.

Mr. GRAHAM. But you mean that under the circumstances, and in view of the attitude taken by the various departments, and in view of the fact that your force had been reduced, that you concurred; is that the situation?

Mr. HANNA. Yes, sir. With the idea that if they did not protect the Government's interests fully, that we would have plenty of time to come in any make our investigation and our findings.

Mr. GRAHAM. Yes. Now, I think I have covered what I wanted to go over. By the way, Mr. Hanna, you have not told us just exactly—now, unless there is some good reason to the contrary, I wish you would just tell us in a brief way, did somebody in that Standard Electrical Engineering Co. give some Government employee a chest of silver?

Mr. HANNA. Yes, sir.

Mr. GRAHAM. About when was that?

Mr. HANNA. I would say it was over a year ago.

Mr. GRAHAM. Did you people make them give it back?

Mr. HANNA. No; we had no part in that.

Mr. GRAHAM. Do you know whether they did give it back?

Mr. HANNA. It was reported that they did. I could prepare a memorandum that might serve the purpose of this committee covering those points, I think, without doing any damage to the case.

Mr. GRAHAM. All right. Now, I think you better do that and insert it in the record here at this place, to give us as much information as you think ought to be made public, so that we can get a general idea of it, but reserving to yourself such evidence as you think might help some guilty person to escape punishment, which we do not want to do, of course.

(The memorandum referred to is as follows:)

WAR DEPARTMENT,
HEADQUARTERS CENTRAL DEPARTMENT,
Chicago, October 23, 1919.

From: Francis D. Hanna, agent in charge graft and fraud section, Military Intelligence Division, Central Department Headquarters, 230 East Ohio Street, Chicago, Ill.

To: Hon. William J. Graham, chairman ordnance subcommittee Select Committee on War Department Expenditures, Washington, D. C.

Subject: Standard Steel Car Co. investigation.

1. The following information is furnished to your committee in compliance with your request to the writer while a witness before you in Chicago October 21, 1919.

2. The information is taken from a report by E. Hughes, agent, Bureau of Investigation, Department of Justice, for the period of November 15, 1918, to November 17, 1918, and was supplied to this office through an arrangement with the division superintendent, Bureau of Investigation, Department of Justice, Chicago. It is not a sworn statement. The report states that Hughes went to Hammond November 7 and remained until November 12, 1918. Affidavits referred to presumably are on file at the Bureau of Investigation, Department of Justice, Chicago.

3. In answer to your question asking for details of the transaction involving the presentation of a chest of silver to August Schneider, the following excerpt from agent Hughes's report is submitted:

"Affidavits on file show that on June 8 a check was drawn for \$600, a large part of which was used by W. H. Crawford in buying from Marshall Field & Co. a set of silverware which it is admitted was given to the wife of August Schneider within a day or two. Schneider makes a statement that immediately upon his learning in the evening that the set had arrived he went to the home of Mr. Crawford and explained to him that because of their business relations it would be improper for Schneider to accept this present. Notwithstanding this claim that he felt so strong about the matter that he immediately declined to accept the present, his affidavit further states that he left it to his wife to have the gift returned, and, in the language of his affidavit of July 29, 1918, said:

"I then dismissed the matter from my mind until a few days ago, when my wife told me Mrs. Crawford had called at my house and taken the silver set away."

"As noted previously in this report, Schneider's punctiliousness does seem to have prevented him from accompanying Toucey when the latter bought his automobile and acting as his aid in putting through the deal in which both Miller and Crawford, of the Electric Co., participated, although Miller's testimony is that it was purely a personal proposition. It is also significant that the testimony also shows that Toucey, Mr. and Mrs. Schneider, and Mr. and Mrs. Crawford spent a great part of a check for \$150 drawn by the Standard Electric Co., and this money was used in going to the theater, etc.

"It will be recalled that the checking of the accounts of the Standard Electric Co. was commenced on July 16, and this set of silver was returned to Marshall Field within a few days afterwards, and on July 18 a telephone call was received by Marshall Field & Co., Chicago, Ill., requesting that they call for silverware and engrave it K. O.

"In his affidavit Mr. Crawford did not go into detail as to when the silver was returned, but he does state that he did consider it perfectly legitimate, in

view of the many courtesies extended to him by Schneider, for him to show his appreciation by making this gift."

It is my understanding that Schneider was not a Government employee, but that he was carried on the Standard Steel Car Co.'s pay roll.

4. The information which you requested regarding the automobile transaction is supplied in the following excerpt from the same report:

"Lieut. W. J. Toucey is under the jurisdiction of the War Department, and a part of his duties is the approval of prices and vouchers. He seems to have become very friendly with August Schneider, referred to above, and with Crawford, active representative of the Standard Electric Co. in encouraging this contract for the electric installation. The books of the Standard Electric Co. show that on June 18, 1918, a check—No. 963, for \$350—was made payable to the Citizens National Bank, Hammond, Ind., with whom the Electric Co. kept its account.

"This check was drawn by the direction of W. H. Crawford, and the cash for same was obtained by Duncan. He took it, as per Crawford's directions, to Edward J. Bohling, who runs an automobile sales agency at 707 Homan Street, Hammond, Ind. He received a receipt reading as follows:

"Received from H. W. Duncan \$350 for W. H. Crawford. Ed. J. Bohling."

"Agent interviewed Bohling on November 12 and examined his books. He makes the following statement:

"About March 19, 1918, Bohling sold to Lieut. Toucey an old Premier automobile owned by J. C. Miller. The price, \$587.15 cash. Bohling got \$25. He does not state how Toucey paid the cash. On June 19, 1918, Bohling sold Toucey a new Chevrolet sedan for \$1,150, which included insurance, freight, and war tax. His sales sheet shows the purchase price was taken care of as follows:

Allowance on Premier-----	\$500
Check-----	200
4 notes (\$100) each-----	400
1 note-----	50
	<hr/> 1,150

"Bohling states that the full purchasing price has now been paid. A few days before the sale was completed Toucey and August Schneider called on Bohling. Bohling states that he already knew that the crank case of the old Premier machine was broken, which made it of very little value. He does not know where he got the information the case had been broken. He therefore told Toucey that he could not allow more than \$150 for the car. August Schneider called up Miller or Crawford—Bohling does not know which—and when he was through talking said that Miller did not want Toucey to feel that he was 'stuck.' Also that Miller did not want Toucey to know that he was making good the depreciation of the car in the value.

"Schneider then suggested that Bohling allow Toucey \$500 for the Premier, promising that Mr. Miller or Mr. Crawford would send the \$350 direct to Bohling without Toucey's knowledge. It was agreed that \$350 should be paid the next day after which the car should be delivered.

"Bohling recalls receiving the money from Duncan, who was a stranger to him.

"After the conversation above outlined Schneider and Bohling went to Toucey and offered to allow him \$500 on the Premier. Agent did not consider it advisable to interview any of the persons included in this transaction except Bohling and Duncan. Duncan seemed to know very little about the transaction, but did give the information that this was the only instance that cash from the Standard Electric Co. was drawn for the benefit of Miller. The file of the plant protection bureau, however, contains the affidavit of W. H. Crawford, who states that upon instructions of Mr. Miller he authorized the drawing of a check for \$350 and its payment to Bohling.

"Incidentally, agent notes that August Schneider, who participated in this deal, and whose wife was given a silver set as detailed in the subsequent part of this report, and who swore that he very promptly refused this gift, seems to have taken a very prominent part in this transaction, which occurred about 10 days after he claims he turned down the gift.

"H. C. Miller, who it would seem ought to have handled this matter personally, if it was a personal matter, states that he very reluctantly sold the car, asking a higher price for it than would have been done otherwise; that he in fact discouraged the sale of the car to Toucey. He felt that he

had taken advantage of Toucey in selling the car, but was unable to get Toucey to discuss the matter and therefore unable to make Toucey a direct proposition. He discussed the matter with Mr. Crawford, stating that he was willing to make any reasonable allowance. Later, he was advised, he does not say by whom, that a check for \$350 had been drawn and the money delivered to Mr. Bohling. He disclaims making any arrangement with either Toucey or Bohling. His story, of course, is hard to believe. If he did not want to sell the car to Toucey he would not have sold it to him. If he had not wanted to sell it in Hammond he would hardly have put it in the hands of Bohling, as Bohling is a Hammond dealer. If he regarded it as a purely personal matter he would not have left the matter in the hands of Mr. Crawford, the active representative of the electric company in its relations with the Government through car company. If he did it to 'square himself' with Toucey (whom he says is not aware of this amount paid to his account) it would only be reasonable to expect him to be sure that Toucey did know it so that Miller might have his good opinion.

"There is no statement on record of August Schneider as to his connection with the transaction. Toucey in his statement, which is also on file in the Military Intelligence, states that he bought a car from Miller and found it was defective; then proceeded as follows:

"I was to turn in a Premier and give Mr. Bohling check for \$200 at the time of purchase. Then on the 19th of every month thereafter I was to give him \$100, etc. I am under the impression that the Premier was turned in for \$500, and that the difference between the selling price of the Chevrolet and the cash paid and to be paid will be \$75, which I am under the impression Mr. Bohling was going to cut down on his commission to allow for this difference."

"Agent examined the account of Toucey at the First National Bank, at Hammond, Ind., and found that his total deposits for a little over a year amounted to about \$4,700; that included \$1,100 which he deposited about the time that he bought \$1,000 worth of the fourth Liberty bonds. He apparently has an account with the Fifth Avenue Bank, New York City. He claims to be a man of wealth. This transaction, it will be noted, did not occur until many months after the original order was placed, but it was about 10 days after the time that August Schneider's wife was given the silver set, and August Schneider, according to Bohling's testimony, telephoned either Miller or Crawford to get the allowance for Toucey."

FRANCIS D. HANNA.

Mr. GRAHAM. Were these persons who received these gratuities persons who had something to do with the negotiation or settlement of these claims?

Mr. HANNA. No, sir.

Mr. GRAHAM. Well, I think the information you can get in a memorandum and put in the record will probably make it unnecessary for me to ask further questions about this matter.

Mr. GRAHAM. I will call your attention to this copy of statement, Mr. Hannah, and ask you to look at it [handing witness a paper]. Do you know whether that is a copy of a statement that was made by Col. Arison in connection with this investigation?

Mr. HANNAH. This statement was made in Washington, and Capt. Metcalf will be here to-morrow to identify it. I don't know what it is, only from him.

Mr. GRAHAM. The statement that the witness has been discussing is called "Memorandum for Capt. Metcalf," dated October 7, 1919, subject, "Article in the Chicago Tribune," and signed, "E. A. Arison, colonel, United States Army."

Which said paper above referred to is in words and figures as follows, to wit:

OCTOBER 7, 1919.

Memorandum for Capt. Metcalf.

Subject: Article in Chicago Tribune.

At the request of Col. McFarland and Mr. McQueen, I called on Capt. Metcalf to-day, and he showed me the article in question in the Tribune, this

being the first time I had seen same. He asked for such explanation as I might be able to give as to the general facts surrounding the settlement of the claim under discussion.

At the time of the filing of this claim, the exact date of which I do not now recall, I was a member of the Chicago Ordnance Claims Board, and was present at the time Mr. Hansen, Mr. Corey, and Mr. Jenks presented the same. Our first impression on noting the amount of \$6,700,000 was of great surprise: that they should expect any such settlement of their contract. However, as time went on, and in the pressure of other matters, such consideration was given this matter as was possible. It very quickly developed that instead of being a claim of \$6,700,000 it was a statement of all Government relations up to date. It was found that this amount included all matters regularly voucherable; it included the determined profit of \$4,000 per carriage on 200 carriages complete. These two items alone aggregated approximately \$2,700,000. It will be seen that these were immediately eliminated.

About this time Col. E. S. Hughes was detailed as armament officer of the central division, and at the direction of E. A. Russel, ordnance district chief and chairman of the claims board, Col. Hughes was loaned to the district board by the ordnance claims board for the purpose of assisting in the settlement of this above-mentioned claim, largely for the reason that Col. Hughes had been thoroughly familiar with the contract from the time of its inception to the time when the district office took it up. He was also familiar with the conditions at the plant.

After a long period for consideration and analysis, Col. Hughes determined that the minimum that we could suggest as a settlement amount to the Standard Steel Car Corporation was \$2,429,000, and of this amount \$800,000 was profit determined by the contract for complete carriages, approximately \$650,000 was profit determined under the act of March 2 and the proposed contract, which specified 10 per cent profit on materials in process at the plant of the prime contract and 5 per cent on materials in process at the plants of sub-contractors. The balance was made up of elements of cost in the claim of the contractor, and did not contain any consideration of the schedules set up by the contractor for prevented or anticipated profits. The Standard Steel Car Co. were notified, through their representative, Mr. Corey, in an informal way, that this amount was all that the district organization could see in their claim. The Standard Steel Car Co. returned with a request for a detailed conference and proposed a new statement as of the then date of the different schedules and amounts. This amount in total was approximately \$3,600,000. In the discussion of the various items of the schedules, as the minutes of the meeting will show, both Col. Hughes and myself made efforts to stipulate expressly that the points being determined were points of principle and not amount. Col. Hughes reviewed this set up, and in an effort to arrive at the final amount on which we could achieve a settlement of the matter in dispute, still being governed by the provisions set forth by the War Department plan for settlement, an amount totaling approximately \$3,070,000 was reached.

The next thing to be considered was the disposition of the buildings, facilities, and materials. Col. Hughes then offered a settlement of \$2,750,000, with provision that the Standard Steel Car Co. should make a bid for the buildings and equipment which remained, as Government-owned property, on the land of the contractor and interspersed among his own buildings. Up to this time we had not given thorough consideration to the disposition of raw materials or the dismantling of the plant erected for the purpose of the contract, deeming it would be the work of the Salvage Board.

However, as the case proceeded and all phases were developed, it became very evident that other elements of claim or expense would still be left if we did not achieve a disposition of the raw materials as well as of buildings and facilities in the settlement of the claim. Standard Steel Car Co. refused to consider the \$2,750,000 offer and a final "take it or leave it" offer of \$3,000,000 in full and final settlement, with the provision that they must make a salvage offer which, in the opinion of the board, could be presented to Washington for approval with conviction that it was an offer acceptable and desirable to the Government. The prime contractor agreed to this amount of \$3,000,000 and offered and agreed to cooperate with the Government officials of the plant in determining an amount of salvage on which to base their offer.

The district office requested the assistance of its chief of staff, Mr. J. H. Palmer, and later of Messrs. J. A. Vall, chief production officer at the plant, and Mr. James A. Church, his assistant. All three of these men have had wide

manufacturing and business experience. Mr. Vall and Mr. Church set up an estimate of \$947,000 as an amount which would be equitable for the Government to accept in full for all Government-owned material and equipment at the plant. Standard Steel Car Co. offered \$900,000. Mr. Palmer secured an estimate offer from an outside firm of \$600,000 for the material alone, on which the Standard Steel Car Co. offered approximately \$300,000, but it was not within the power of the district board to sell those materials to an outside concern except through the salvage board's procedure or through the mediation of the Standard Steel Car Co., who refused so to act. It was exceedingly undesirable for the board to refuse the Standard Steel Car Co.'s offer of \$300,000, for the reason that any other procedure would have involved in all probability a minimum of six months, under the very best circumstances at \$25,000 a month occupancy, or approximately a total of \$150,000 and a continuance of the Government expense at the plant through this period, which was \$50,000 per month, or a total of \$300,000.

It will thus be seen that the offer of the Standard Steel Car Co., coupled with the saving by acceptance of \$450,000, exceeded materially even the offer which Palmer secured outside. In addition, the sale of buildings to the Standard Steel Car Co. as a whole affected a saving. Large quantities of materials, such as spare parts and pieces in process were requisitioned for the Watertown Arsenal, besides which quantities of machinery have been requisitioned for shipment to arsenals. Our rehabilitation and removal expenses are eliminated by the settlement. All expenses for auditing which, even in the opinion of Mr. Blakey, admittedly would take six months, and, in the opinion of the writer, would take a year before it would be completed; these have been eliminated by the settlement.

All phases of the subject, particularly those with regard to what it would cost the Government, pending a delay in settlement of this important contract, were given thorough consideration by the district board in reaching their decisions.

Mr. Blakey, from the beginning of my association with the Chicago office in April, 1918, was continually operating in a negative way relative to things that Government officials were doing, and at one time I was requested to remove him. It was my opinion that he was a good accountant, that he was conscientious in his efforts to conserve the Government interest, but that he was merely dwarfed by environment, and did not have the ability to grasp the whole achievement of things; but, however, that he was continually addicted to arrogating the impulsive right to judge on the assumption that he knew all phases of the question. Knowing his failings, we thought it best to keep him in the work by always giving such consideration to the work as might not be available to Mr. Blakey at the time of discussion. Looking toward a settlement of claim, I took up the matter of the items sheet shown as elements of claim, and did discuss same with Mr. Blakey and also with Mr. Miller, manager of cost accounting. Both expressed themselves to the writer as satisfied with the method being used, and Mr. Blakey personally submitted to the writer a list taking up each scheduled item and stating that there was no item that could not be verified except certain ones that had to be negotiated.

It is the opinion of the writer that Mr. Blakey is, as is stated before, sincere, but with a viewpoint bounded by the edge of his cost-accounting sheets. His actual knowledge of the terms of the settlement is shown by his statement that the board sold materials to the Standard Steel Car Co. for \$200,000 which could have been sold to outside firms for \$600,000. This I have explained in the previous paragraphs. The offer we received was \$300,000, not \$200,000. The whole thing boils down to this: That the settlement was a negotiated settlement, first; that the Standard Steel Car Co. could not be assumed to set up items of cost which it was not prepared to substantiate; second, that we would in the first instance eliminate any item which assumed to be anticipated profits, taking elements of cost which were absolutely prescribed by the War Department procedure; that determining elements of claim was only half of the settlement, from the Government's viewpoint, unless we could dispose of the buildings, material, and facilities for which it had no further use; and where, in the consideration of the remaining items, the cost ensuing to the Government was thoroughly considered.

At the time the district organizations reported an agreement with the Standard Steel Car Co. of the above-outlined terms of settlement, we arranged that Col. Hughes should come to Washington and confer with Gen. Williams, and Gen. Pierce, chairman of the ordnance claims board, and Mr. Dorr, of the

War Department claims board. As a result of this visit, it was arranged by Mr. Dorr that Col. Hughes should return to Chicago, and with him should go Col. McFarland, representing the ordnance claims board; Col. Reeves, representing the War Department; Mr. Safberg; and Col. Hodge, civilian, all representing the War Department board or technical advisory board. These gentlemen met in conference at the Standard Steel Car Co. plant. Messrs. Vail, Church, and Blakey being present at the conference. The next day they convened in the Chicago district ordnance office, and during the procedure Col. Hughes advised me that Mr. Blakey had called Col. McFarland out of the conference and told him that the claim had not been audited, thus creating in the mind of Col. McFarland the idea that something was going on not according to regular procedure.

I called Mr. Blakey in conference with Col. Hughes and myself, and asked him just what he was driving at, and in the course of the conference he said that Col. Hughes had insulted him on the preceding day. On further inquiry, Col. Hughes being ignorant of the insult, Mr. Blakey said that in the course of discussion that Col. Hughes had made the statement that some item of the claim had been audited; Mr. Blakey thereupon made the statement that this item had not been audited. Col. Hughes made some statement that the first time he had heard that this had not been audited was when Blakey "let loose." Blakey for some reason or other considered that Hughes's statement, "let loose," was insulting to him. Col. Hughes then apologized to Blakey for any injury to his feelings which a misconception of his words may have caused. Blakey then acknowledged in the presence of Col. Hughes, Col. McFarland, and myself that he had previously submitted a letter telling of the regularity of this claim, and that same "could be verified."

This was the end of the affair, so far as the writer's knowledge is concerned, until he was later notified that an article had been published by Blakey. If Blakey and Miller have instigated the newspaper articles, it is, in the opinion of the writer, very evident that they are not really familiar with the facts, and also without any appreciation of the decisions and attitude of the War Department, as outlined in their procedure, providing for the settlement equitably to the Government and to the prime contractors.

E. E. ARISON,
Colonel, United States Army.

Mr. GRAHAM. Now, I think that is all, Mr. Hanna.

Mr. GARRETT. Did you receive any communications suggesting a cessation of your activities from any other source than the Chicago district office?

Mr. HANNA. No, sir.

Mr. GARRETT. Nothing came from Washington direct?

Mr. HANNA. No, sir.

Mr. GARRETT. The telegram which you have placed in the record, was an answer received to that from Washington or do you remember? The telegram in which you advised—

Mr. HANNA. I think there was no answer to that, I should say that our office received no answer to our telegram. I might venture a guess that the Ordnance Department in making its appropriation for this claim probably asked the military intelligence department if there was any objection, and it may have been permitted to move. I can't think of any other reason.

Mr. GARRETT. You mean the telegram which you received and to which that is the answer?

Mr. HANNA. Yes, sir.

Mr. GARRETT. The subject has been placed in the record.

Mr. HANNA. Yes, sir.

Mr. GARRETT. Do you know whether any of the persons to whom gifts are alleged to have been made were discharged from the service at or about the time you received this letter signed by Mr. Russell suggesting that they could handle the matter and so forth?

Mr. HANNA. I couldn't answer that, I don't know.

Mr. GARRETT. Do you know as a matter of fact that any were discharged at any time or removed from the service?

Mr. HANNA. No, sir; they may or may not have been.

Mr. GARRETT. Or transferred. Well, I guess I won't go any further into that.

Mr. JEFFERIS. I would like to ask a question.

Mr. GRAHAM. All right.

Mr. JEFFERIS. Mr. Hanna, do you know whether or not there was anybody connected with the district claims board here in Chicago who was going back and forward to any considerable extent to Washington or not, or New York, or any of those places?

Mr. HANNA. Not with the district claims board; no, sir.

Mr. JEFFERIS. Any one that would have anything to do—

Mr. HANNA. We would not be apt to know that in the ordinary course of business. They would be going back and forward from time to time without our keeping any check on it.

Mr. JEFFERIS. Do you know whether or not, say from June on there was any going back to Washington by any one connected with this settlement?

Mr. HANNA. Not so far as I know.

Mr. JEFFERIS. That is all.

Mr. HANNA. That can all be determined so far as Government representatives are concerned, by travel orders, the record of travel orders issued by the Ordnance Department, or whatever department they are located in.

TESTIMONY OF EMIL J. SCHMIDT, INDUSTRIAL ENGINEER, RESIDING AT CHICAGO, ILL.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Give your full name to the reporter, please.

Mr. SCHMIDT. Emil J. Schmidt.

Mr. GRAHAM. What is your business, Mr. Schmidt?

Mr. SCHMIDT. Industrial engineer.

Mr. GRAHAM. And you live at Chicago?

Mr. SCHMIDT. Yes, sir.

Mr. GRAHAM. Have you been working in connection with the work at the Standard Steel Car Co. plant?

Mr. SCHMIDT. Yes, sir; I have.

Mr. GRAHAM. How long have you been there?

Mr. SCHMIDT. I have been there 21 months starting June 16, 1918.

Mr. GRAHAM. So you have had a pretty fair opportunity to observe the conduct of that plant?

Mr. SCHMIDT. I have during the whole time.

Mr. GRAHAM. What have you observed as to the way they have been carrying on their operations down there; have they been efficient so far as you have observed them, or is the opposite the case?

Mr. SCHMIDT. Well, not so very efficient.

Mr. GRAHAM. What seems to have been trouble, Mr. Schmidt?

Mr. SCHMIDT. Well, division of authority is one thing, the Government would be negatived, and their attitude was in many ways obstructive. They didn't want the Government to know certain

things and they did not want to give up their authority in certain matters.

Mr. GRAHAM. When you United States officers came there to the plant, inspection officers, and others, commissioned officers of the Ordnance Department, were they treated with courtesy and respect?

Mr. SCHMIDT. Personally, yes.

Mr. GRAHAM. Were their opinions deferred to and their requests for information granted?

Mr. SCHMIDT. Well, sometimes they were and sometimes they were not.

Mr. GRAHAM. Who had charge of the work at that time for the company?

Mr. SCHMIDT. Mr. Jenks, the general manager.

Mr. GRAHAM. Do you know whether any of these Government officials ever complained to those in authority over them about the way they were—their requests were handled there?

Mr. SCHMIDT. Well, informally; yes. I know of the accounting branch complaining and our branch; the storage branch also had certain things to complain about.

Mr. GRAHAM. Were you gentlemen in the stores branch given access to all the records and permitted to keep complete records of the situation?

Mr. SCHMIDT. Yes; nearly all; but some differences came up in that matter.

Mr. GRAHAM. Well, for instance, what?

Mr. SCHMIDT. We had one case where they frankly told my chief assistant to keep out of their records, stores records, and I had to take the matter up with our supervisor in Chicago and make a very drastic demand that any record whatever would be open to any Government official of the plant in the performance of their duty.

Mr. GRAHAM. Which assistant of yours was that?

Mr. SCHMIDT. Mr. Williams, who is right over there [indicating].

Mr. GRAHAM. Did you afterwards get the information?

Mr. SCHMIDT. Yes.

Mr. GRAHAM. Did you ever notice any disposition on the part of the company or its officials to give you erroneous information?

Mr. SCHMIDT. I would not say that they were deliberately giving it and that the record was false, but they would try to suppress certain records at times and keep us from what they called "meddling."

Mr. GRAHAM. They seemed to take it for granted that they were running that plant and the Government hadn't anything to do with it except to pay for what they expended?

Mr. SCHMIDT. Absolutely; that was their attitude.

Mr. GRAHAM. Well, up to this time have you been able to get such records as you have needed in your work there, so that you could intelligently perform the duties that devolved upon you there?

Mr. SCHMIDT. Yes; we can get those records, but I will say this, that they were so careless about some of their records that although we were not required to keep our own, we had to insist on it in order to get absolutely reliable records, and finally received authority to do that.

Mr. GRAHAM. Has an inventory ever been made of the direct and indirect material of that plant?

Mr. SCHMIDT. An inventory was taken under my direction and was almost completed at the time this settlement came up, a physical inventory.

Mr. GRAHAM. How nearly completed was it?

Mr. SCHMIDT. Well, I should say it was 90 or 95 per cent complete; as far as taking the inventory was concerned the writing up of the record was not so far advanced.

Mr. GRAHAM. Well, what was the result of the inventory, about what amount of stuff did you find was there, Mr. Schmidt?

Mr. SCHMIDT. Well, I never tabulated it.

Mr. GRAHAM. Can you give us in a rough way about what you discovered was there in full?

Mr. SCHMIDT. I don't believe I could; but I should say that the statement made here by several gentlemen that there were \$5,000,000 worth of material was pretty nearly right, as far as their cost was concerned.

Mr. GRAHAM. Well, the \$5,000,000 that was mentioned by some witnesses was a net value after the deduction of certain credits that were allowed.

Mr. SCHMIDT. Well, I had the same thing in mind, because some shipments were made.

Mr. GRAHAM. I mean of material used, Mr. Schmidt, all sorts of direct and indirect material?

Mr. SCHMIDT. Yes, sir; direct material, indirect material, and small tools were a very considerable item.

Mr. GRAHAM. Was this indirect material such indirect material as could be used in other manufacturing concerns?

Mr. SCHMIDT. Yes, sir.

Mr. GRAHAM. Tools and grinders and tool steel and all sorts of stuff of that kind?

Mr. SCHMIDT. Yes, sir; there was a great deal of belting, packing, tools, and rivets, and all tools of all kinds.

Mr. GRAHAM. Well, is not that stuff worth about as much as it was when it was bought?

Mr. SCHMIDT. I think so; that is indirect material.

Mr. GRAHAM. Yes.

Mr. SCHMIDT. And the small tools.

Mr. GRAHAM. What proportion of the material out there in that plant was indirect material and small tools?

Mr. SCHMIDT. I don't believe I can answer that; it is a pretty hard thing to estimate.

Mr. GRAHAM. Well, to just get at it in a rough way, would you suppose that a fourth of the value of material there was indirect?

Mr. SCHMIDT. Indirect and small tools?

Mr. GRAHAM. Yes.

Mr. SCHMIDT. Yes; I should think it would be that much.

Mr. GRAHAM. And the rest of it was——

Mr. SCHMIDT. Direct material.

Mr. GRAHAM. Direct material?

Mr. SCHMIDT. Rough and indifferent degrees of completion.

Mr. GRAHAM. Forgings and belts?

Mr. SCHMIDT. Yes; I beams and template bars—steel stock.

Mr. GRAHAM. Do you know any reason why that indirect material and small things was not—or should have been considered as junk for salvage?

Mr. SCHMIDT. None, except the fact that they wanted to lump the whole thing; that is the only reason I could think of why it should be turned in with the rest of that.

Mr. GRAHAM. They always did want to negotiate a settlement, as they said, didn't they?

Mr. SCHMIDT. Yes; the statement has been made to myself and other members of our department that we were going to a great deal of trouble for nothing in trying to get real accurate records; that the settlement would not be made on the basis of records.

Mr. GRAHAM. When did they first begin to make that sort of statements?

Mr. SCHMIDT. Why, the first time it was mentioned was to Mr. Williams; he might be able to recall. I couldn't say exactly; it was quite a while ago.

Mr. GRAHAM. Since the armistice?

Mr. SCHMIDT. Yes.

Mr. GRAHAM. That you only know from talking to him. He can tell about that himself?

Mr. SCHMIDT. Yes; I think he has had more to do with that end of it than I have, on the record part.

Mr. GRAHAM. Do you know anything about this settlement with the Standard Electrical Engineering Co.?

Mr. SCHMIDT. Not a thing.

Mr. GRAHAM. You have stated, I believe, that you were not out there—you were not at either of the conferences when there was a settlement?

Mr. SCHMIDT. No; we never were consulted about the settlement nor anything about it.

Mr. GRAHAM. Well, were you in a position there in the plant where it was the natural and legitimate thing to expect that you would be consulted in a settlement of that kind?

Mr. SCHMIDT. Well, only in respect to the value of the materials there, because we were inventoring them then.

Mr. GRAHAM. What do you know, Mr. Schmidt, about an offer being made for that salvage material?

Mr. SCHMIDT. Why, I was out there when Mr. Regan and Mr. Parker, of Briggs & Turvais, came out there and asked us whether they could get the information as to the amount of material on hand. Mr. Cook, the Government inspector, was with them, and we understood that the request had been made to furnish an estimate, so we gave them whatever information we could.

Mr. GRAHAM. That was the same day the settlement was to be taken up, was it?

Mr. SCHMIDT. It was the same day or the day previous; it was a rush proposition.

Mr. GRAHAM. They seemed to be in a hurry, did they?

Mr. SCHMIDT. Everybody seemed to be in a hurry.

Mr. GRAHAM. Do you know of any particular reason for this haste?

Mr. SCHMIDT. Why, the reason that was given to our department by Mr. Vail was this, that they wanted to cut down on the heavy expense of operating that plant, an expense to the Government amounting to a great deal of money. I don't know anything about what it was, but twenty-five or fifty thousand dollars a month, and so they wanted to settle it instead of waiting until all the inventory was complete and all the audit.

Mr. GRAHAM. Mr. Vail told you that?

Mr. SCHMIDT. Yes, sir.

Mr. GRAHAM. Did Col. Hughes ever talk to you about the matter?

Mr. SCHMIDT. No, sir; I have never spoken to Col. Hughes about it.

Mr. GRAHAM. Well, do you know whether Briggs & Turvias did make an offer?

Mr. SCHMIDT. I believe they did; yes, sir.

Mr. GRAHAM. You don't know anything about whether it was called to the attention of the board or not?

Mrs. SCHMIDT. No; except hearsay.

Mr. GRAHAM. You don't know anything about that matter?

Mr. SCHMIDT. No.

Mr. GRAHAM. I suppose you knew in a general way about these two employees that were supposed to have gotten this chest of silver and this automobile—you knew of it at the time, did you, or heard of it?

Mr. SCHMIDT. Why, I heard of it and read it in the paper like many of the rest of them, but I did not know anything else.

Mr. GRAHAM. Do you know whether those two men are still in the employ of the Government or do you know whether they were discharged at that time or retained?

Mr. SCHMIDT. Why, I couldn't say as to that. One of them incidentally was not employed by the Government; he was a Standard Steel man and the other one a lieutenant, who later on left the service. Whether he resigned or why I do not know.

Mr. GRAHAM. You say one of them was a Standard Steel Car Co. man?

Mr. SCHMIDT. Yes.

Mr. GRAHAM. Well, why should the Standard Steel Car—the Standard Electrical Engineering Co. was giving him a present, I assume, because they thought he had something to do with the principal contractor.

Mr. SCHMIDT. Probably so.

Mr. GRAHAM. Is he still in the employ of the Standard Steel Car Co.?

Mr. SCHMIDT. I believe he is. I have heard that he was over in France as one of their confidential men. That is all hearsay what I know about that case because we never had anything to do with that end of it.

Mr. GRAHAM. Gentlemen, have you any questions?

Mr. GARRETT. No; I think not.

Mr. GRAHAM. I want to ask Mr. Williams a question; I guess he can sit where he is.

TESTIMONY OF JOHN F. WILLIAMS, ASSISTANT INDUSTRIAL ENGINEER, RESIDING AT CHICAGO, ILL.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Schmidt referred to some matters, Mr. Williams, that you have personal knowledge of just now.

Mr. WILLIAMS. Yes.

Mr. GRAHAM. What can you tell us about those particular matters without inquiring particularly about them?

Mr. WILLIAMS. Well, it was my duty to check the records of the storekeeper at the Standard Steel, and I found his records in very poor shape, and one day he called me into the office, I had been making reports on his records and the shape of his records for some months, and finally the Chicago office notified the storage inspection down there through Mr. Schmidt that he could keep his own records, so then we started completing our files to work up our own records. I went in to Mr. Clifford one day—it was along in January, 1919—to ask him for some information and he said it is a waste of time, he said to go along and work on these records; this contract when it is to be settled will be settled without referring to any records. We are in a position now in Washington where this can be settled.

Mr. GRAHAM. About when was that, Mr. Williams?

Mr. WILLIAMS. That was in January. I would say January—the latter part of December or in January.

Capt. DAY. May I ask who that statement was made by?

Mr. WILLIAMS. John J. Clifford.

Capt. DAY. Who is he?

Mr. WILLIAMS. He is storekeeper for the Standard Steel Car Co.

Mr. GRAHAM. Did they ever afterwards repeat any of those statements or in substance those statements?

Mr. WILLIAMS. Not exactly that statement, but he has told me several times since and also our supervisor at that time, or manager rather, that his records were not worth 4 cents or 5 cents.

Mr. GRAHAM. That they did not need any records?

Mr. WILLIAMS. They did not need any records. Well, he kept a record; he kept probably 15 to 20 people working on these records continuously.

Mr. GRAHAM. When you came to try to make an inventory, do you know how that inventory checked up with what the Government had sent into that plant or whether there was any way to check it? In other words, how do you know or how does anybody else know that there wasn't a great deal more material sent into that plant than was needed for that job and that when the settlement was made the Government did really get paid for everything it had there, or ought to have had there? In other words, was there ever any survey made of that—of the material?

Mr. WILLIAMS. Of the material on hand?

Mr. GRAHAM. Yes.

Mr. WILLIAMS. Or the material received from the start?

Mr. GRAHAM. Both the material on hand at the close, of course, of the contract. Was there a survey made?

Mr. SCHMIDT. I believe I can answer that. Part of our duty was to see the nature of the inventory and make a summary, a summary of

everything, of materials and tools, showing what had become of all the materials purchased under those headings.

Mr. GRAHAM. Did you know what had been purchased and taken into the plant?

Mr. SCHMIDT. Certainly, the record shows that.

Mr. GRAHAM. You have a complete record of that, have you?

Mr. WILLIAMS. I would not say complete.

Mr. SCHMIDT. But it could be completed.

Mr. GRAHAM. Why not, Mr. Williams?

Mr. WILLIAMS. Well, the records that we had, they are supposed to be complete, but we discovered in filling our files to complete our records that quite a few odd ends or receipting memorandums were missing and I requested Mr. Clifford in writing several times to supply us with the missing memorandums, though we have never received them, so I think the Standard Steel records will probably show the amount of goods received into the plant—

Mr. GRAHAM. Well, does the Government have any record now of the amount of goods that were sent into that plant and paid for by the Government?

Mr. WILLIAMS. The Government should have it.

Mr. GRAHAM. Well, does it have it?

Mr. WILLIAMS. I could not say that it is complete, but it has probably 95 per cent of the receipts.

Mr. GRAHAM. Did we have a Government agent there all the time to check that stuff as it came in?

Mr. WILLIAMS. Yes, sir.

Mr. GRAHAM. And it was booked, was it, and charged to this contractor?

Mr. WILLIAMS. Yes, sir.

Mr. GRAHAM. You have got that yourself?

Mr. WILLIAMS. You will find that in the accountant's files.

Mr. GRAHAM. And you think it is correct?

Mr. WILLIAMS. So far as—all the memorandums signed by United States stores checkers or assistant United States stores inspectors of goods are there or were there, they were received and checked by weight and count.

Mr. GRAHAM. Now, when they took stuff out of the storeroom, did they issue a requisition for it?

Mr. WILLIAMS. Yes, sir.

Mr. GRAHAM. In all cases?

Mr. WILLIAMS. In all cases.

Mr. GRAHAM. Did you always from the beginning of this work have a storekeeper who required requisitions?

Mr. WILLIAMS. I will have to ask Mr. Schmidt.

Mr. GRAHAM. Were you there, Mr. Schmidt?

Mr. SCHMIDT. I was there; yes. At the beginning we merely checked those requisitions against the records, but after some time we found it necessary to actually check the material going out just as though they were received.

Mr. GRAHAM. Did you check them by values or by articles?

Mr. SCHMIDT. By articles; not by values.

Mr. GRAHAM. So that you are able to say now that at the end of this work that you had a complete inventory and you could tell

whether they were short or long on the actual physical stuff that went in there? But you never got that inventory?

Mr. SCHMIDT. The final record would not be made without the final inventory.

Mr. GRAHAM. You were making an inventory at the time this settlement was made, but you never got it finished?

Mr. WILLIAMS. We had practically completed the physical count of the inventory. Probably I will say 98 per cent of the stock in the plant had been counted and we had it written up—that is, inventory books had been written, but they had not been typed. The inventory amounted to in the neighborhood of 18,000 items, 6,000 approximately had been typed, ready for distribution.

Mr. GRAHAM. Do you know how it compared with the statement of material that had come into the plant?

Mr. WILLIAMS. No; we had not reached that point.

Mr. GRAHAM. You don't know whether there was a shortage or not?

Mr. WILLIAMS. No; I couldn't say.

Mr. GRAHAM. You don't know whether they used any of that material for anything else or not?

Mr. WILLIAMS. I couldn't say that; I couldn't say.

Mr. GRAHAM. They were making armored cars and in another establishment they had another place where they made automobiles, and they had other institutions also, did they not; manufacturing institutions?

Mr. WILLIAMS. Yes, sir.

Mr. GRAHAM. Could you tell whether any of that material went out of there and was used for anything else?

Mr. WILLIAMS. No; I couldn't.

Mr. GRAHAM. You could tell, however, if you had a final inventory?

Mr. WILLIAMS. If I had a final inventory I could tell what was short.

Mr. GRAHAM. Well, I think that is all.

Mr. WILLIAMS. I have got here with me what we call a register. The whole inventory is written up showing the pieces, the weight, and the prices paid. This is for our own records. The inventory was to have been typed. Now, some of the items in here do not show weight, but we can get the weight from our records. The inventory should have been completed in two weeks.

Mr. GRAHAM. Who asked you to make that inventory?

Mr. WILLIAMS. Could I refer to a—

Mr. GRAHAM. Yes; I will be glad to have you do it.

Mr. WILLIAMS. This is a copy of a letter written by E. F. Norton, lieutenant colonel of the United States Army, chairman of the district salvage board. It is from the chairman of the salvage board, Chicago district, the district board, the Government board on sales of Government property.

(Thereupon said letter was read into the record by Mr. Williams in words and figures as follows, to wit:)

[Copy. Office at Seventy-fourth Street and Ashland Avenue, Chicago, Ill.]

ORDNANCE DEPARTMENT, UNITED STATES ARMY,
SALVAGE BOARD DIVISION,
September 26, 1919.

From: Chairman Salvage Board, Chicago district, Ordinance.

To: District stores and scrap manager, Chicago district.

Subject: Sales of Government property at Standard Steel Car Co. to prime contractor.

1. The sale consummated yesterday by the district claims board to the Standard Steel Car Co., which is lock stock and barrel all Government property now at Hammond within their plant, will operate to automatically release from the service those stores and scrap employees working in this plant.

2. It is suggested that you confer with Mr. Vail and make prompt disposal, as the prime idea of the claims board in making this sale was to cut off the continuing expense of Government employees at this point.

E. F. NORTON,
*Lieutenant Colonel, Ordinance Department, U. S. A.,
Chairman District Salvage Board.*

Mr. GRAHAM. That letter will go into the record. And was it immediately thereafter you stopped?

Mr. WILLIAMS. Well, then we were told by or asked by, I think, Mr. Harlow, manager of the Chicago district, to keep our employees on at that point until Mr. Miller, the United States accountant at the Chicago district, returned from Washington, as there was certain information we would have to give his accountants to complete their records, and while we were waiting for Mr. Miller I sent the different teams out and they made an estimate on a few of the items left that had not been counted, a few castings and a few shop tools. It took them probably a day to go out and make this estimate, and from that estimate the inventory was completed. I had them write it up in this register, and on the 16th or on the 15th of October we closed the office at the Standard Steel and let most of the personnel go, and moved back in the city.

Mr. GRAHAM. Any questions, Mr. Jefferis?

Mr. JEFFERIS. No; I think not.

Mr. GRAHAM. Mr. Garrett?

Mr. GARRETT. No.

(And thereupon, at 1 o'clock p. m., the committee adjourned to meet at 9 o'clock a. m., Wednesday, Oct. 22, 1919.)

SUBCOMMITTEE NO. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Chicago, Ill., Wednesday, October 22, 1919.

The committee met in the assembly room of the Illinois Trust & Savings Bank Building, Chicago, Ill., pursuant to adjournment on yesterday, at 9.30 a. m., Hon. William J. Graham (chairman) presiding. Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF MR. FRANK OWEN MAY, COST ACCOUNTANT,
CHICAGO DISTRICT OFFICE, CHICAGO, ILL.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. May, what is your full name?

Mr. MAY. Frank Owen May.

Mr. GRAHAM. Where is your home?

Mr. MAY. Since May, 1918, it has been in Chicago; I am originally from North Carolina.

Mr. GRAHAM. What is your business?

Mr. MAY. Cost accountant for the Government, Ordnance Department, and assistant in charge of the district office of the Chicago district cost accounting section.

Mr. GRAHAM. In connection with your work did you have anything to do with the claim of the Standard Steel Car Co.?

Mr. MAY. Nothing to do with the claim. All the vouchers that were passed through came through my hands in the district office, and I passed on those, but I did not have anything to do with the claim; they did not refer it to the cost accounting section at all. Col. Hughes turned over some papers to Mr. Miller, I guess about 4.30, with the request that he have those looked over and returned to him as soon as possible, and gave him a matter of two days to audit the claim of the Standard Steel Car Co.

Mr. GRAHAM. And, of course, it was not possible to do so in that length of time?

Mr. MAY. Absolutely not; with the mass of detail and figures that were there it would take two or three months.

Mr. GRAHAM. Do you know whether Col. Hughes knew that—did Mr. Miller tell him anything about it?

Mr. MAY. Yes; I think he did. We could only make a superficial examination in that length of time.

Mr. GRAHAM. Did you hear the conversation?

Mr. MAY. It was across from my desk; I was not officially in the conversation, but heard part of it.

Mr. GRAHAM. What was the conversation?

Mr. MAY. Col. Hughes had the papers in his possession I have here now, and he indicated that the items marked "X" should be examined and those with a check should be left without examination, because his committee had taken care of those items.

Mr. GRAHAM. Did Mr. Miller tell him anything about whether it was possible for him to do this work?

Mr. MAY. I think he did. He stated it would be impossible for him to do the work in the length of time that he had given him.

Mr. GRAHAM. Now, did you have occasion at any time to go over these various items of the claim as it was finally allowed?

Mr. MAY. I did.

Mr. GRAHAM. I assume that you have formed some impression from the facts known to you as to whether the claims are properly allowed or not?

Mr. MAY. Yes, sir; I have.

Mr. GRAHAM. Did you know anything about the claim of the Standard Electric Engineering Co. while it was going on?

Mr. MAY. I knew this much about it, that the estimate of the engineer who was sent out by the Government to estimate this work was around \$80,000, and the actual amount spent on it was approximately \$288,000, of which the cost accounting section vouchered \$78,000 and would have paid around \$18,000, which would have made \$96,000, and they refused to pay anything else on it.

Mr. GRAHAM. What was the trouble with the accounts as they came in?

Mr. MAY. It seems a lot of the work was torn down and done over again, and things of that kind, and they considered that should be eliminated and there were a great many instances of that kind.

Mr. GRAHAM. What was the work they did?

Mr. MAY. The contract called for the complete wiring of the buildings that were purchased as increased facilities, and to be used and connected up in such shape to run the motors and the machinery in the plant there.

Mr. GRAHAM. Well, they built a new car shop there entire, as we observed on yesterday?

Mr. MAY. Yes, sir.

Mr. GRAHAM. Did they rewire that whole building?

Mr. MAY. They were supposed to rewire their whole building.

Mr. GRAHAM. And, I assume, put wiring on everything else on the ordnance side of the plant?

Mr. MAY. Yes, sir; that was the contract.

Mr. GRAHAM. Now, that, of course, is there and available for this company for its present use?

Mr. MAY. Absolutely.

Mr. GRAHAM. Were there any motors included in this job?

Mr. MAY. No, sir; I think it only covered the cost of wiring, including the electric wiring and the labor necessary to install it.

Mr. GRAHAM. Did they ever furnish to the cost accounting section any verification of those claims on this particular thing?

Mr. MAY. None whatever.

Mr. GRAHAM. Did you have the bills and cost of labor, and so on, so that you could——

Mr. MAY (interposing). We had what they presented as cost bills and labor, etc., which they presented as cost on this contract.

Mr. GRAHAM. What were they; just a lump sum?

Mr. MAY. Pay roll, that we could have gone over and audited amount by amount, or so many feet of wiring, or whatever it happened to be.

Mr. GRAHAM. Mr. May, Mr. Corey has just been in here and spoken to me—Mr. Corey, of the Standard Steel Car Co., telling me that the Ordnance Department has all the information that they had, and all the information that is available from their books about the cost of production; what do you have to say about that?

Mr. MAY. I do not think Mr. Corey stated the truth of the matter to you. These people have not been able to give us the information that we wanted, and in lots of instances refused to give it.

Mr. GRAHAM. Do you know whether they have or not?

Mr. MAY. They should have it; they had instructions to have; I do not know whether they do; they had instructions to have it.

Mr. GRAHAM. Did you advise them what information they should keep?

Mr. MAY. Absolutely; that is the duty of the Government accountants when they go to a plant, to instruct the plants; that is the duty of the Government accountants when they go to a plant, to instruct the plants to keep certain information that would be necessary for us to get our figures from.

Mr. GRAHAM. Was that done in writing, do you know?

Mr. MAY. I don't know, but it is covered by the pamphlet of the definition of costs, which is a part of this procurement order, CF 331.

Mr. GRAHAM. It is a part of the procurement order?

Mr. MAY. Attached to it, yes; made a part of the contract.

Mr. GRAHAM. So that there was no reason why you should not have found what was wanted?

Mr. MAY. None whatever.

Mr. GRAHAM. Do you know whether they kept books?

Mr. MAY. They kept books of some kind; I do not know just what kind. I do not know particularly. Mr. Grafke and Mr. Blakey, the accountants in charge, were supposed to look after that.

Mr. GRAHAM. Mr. Corey claims they have no books except what you have already gotten and you have all their costs of production; were any productions costs sheets ever given to you?

Mr. MAY. None whatever.

Mr. GRAHAM. Did you ever ask for any?

Mr. MAY. Absolutely we did, quite a few times.

Mr. GRAHAM. What would they tell you?

Mr. MAY. They passed it off, they did not have it, or could not furnish it, or some reason of that kind.

Mr. GRAHAM. Do you know whether they did have it?

Mr. MAY. Well, as I say, I could not say, but they were supposed to; that is all I can say with reference to that.

Mr. GRAHAM. Their instructions were to keep that?

Mr. MAY. Yes, sir.

Mr. GRAHAM. What have you to say about this first item in this award, Mr. May, "Carrying charge during period of nonproduction, \$99,000"?

Mr. MAY. I think that is \$99,000 that should not be allowed; that we paid them all that is coming to them on items of that kind.

Mr. GRAHAM. What is a carrying charge?

Mr. MAY. A carrying charge is a charge which would be used under ordinary circumstances to keep a plant running while there was no production; while they were not producing anything, such as pay rolls of the salaried employees, and the different people to keep a shop going, and items of that kind.

Mr. GRAHAM. And you claim there was nothing of that kind on this job?

Mr. MAY. Well, if there were, that we paid them all that was coming to them on that item, I think; that is my opinion.

Mr. GRAHAM. Do you agree with Mr. Miller on the item of "Unabsorbed administrative expense, \$261,251.45"?

Mr. MAY. I do not remember what his opinion was.

Mr. GRAHAM. His opinion was that that had already been paid.

Mr. MAY. I think so; they have nothing coming to them. We have absorbed all the administrative we should have.

Mr. GRAHAM. Do you know anything about the agreement at Butler, by which \$109,000 was accepted by the company for administrative?

Mr. MAY. I don't know whether they accepted it or not; we drew a voucher for that.

Mr. GRAHAM. Did those vouchers specify in full for that administrative expense?

Mr. MAY. They did not state in full but the amount of administrative expense of the Standard Steel Car Co. at Hammond.

Mr. GRAHAM. The next item is "Ten per cent on worked materials, labor, and overhead, \$656,394.05"; what can you tell us about that, Mr. May?

Mr. MAY. I would consider that item excessive by at least \$450,000 to \$500,000.

Mr. GRAHAM. Why?

Mr. MAY. Because the number of worked materials, direct labor, and overhead was included on the part that we received on those finished 200 gun carriages and the unabsorbed worked parts of that material; that is, excessive on that amount. They did not have \$6,563,940 in excess worked materials in process.

Mr. GRAHAM. Do you know how much they did have?

Mr. MAY. We haven't got those figures; they were never furnished. That is one of the things we wanted to get and could not get; we were unable to secure the inventory of material in process.

Mr. GRAHAM. Were you able to make one yourselves?

Mr. MAY. No; we have no means of doing it. It would be necessary to go out in the shop and have this inventory taken, which we as accountants could not do.

Mr. GRAHAM. The next item is, "Preparation of plant, or unabsorbed cost for preparation of plant, \$60,000."

Mr. MAY. I think they have nothing coming on that item; that we paid all costs on the preparation of this plant from the beginning; I do not figure they are entitled to a cent of it.

Mr. GRAHAM. Every cent of expense as you went along was paid, wasn't it?

Mr. MAY. So far as they presented to us, and if they did not present them it is their fault, and I am pretty sure they wanted to get everything they could.

Mr. GRAHAM. Well, one would think from the kind of items this is, unabsorbed cost of the preparation of this plant, that was getting ready to do this work.

Mr. MAY. I am pretty sure we paid all costs of work done in preparing to make these gun carriages.

Mr. GRAHAM. The next item is, "Additional cost of passenger car work done in freight shop, \$467,184.51."

Mr. MAY. I do not think they are entitled to anything on that.

Mr. GRAHAM. Why?

Mr. MAY. Because if there were any charges of that nature we paid them.

Mr. GRAHAM. Well, I assume that what they are trying to get at here is that it cost them more to make these passenger cars in their freight shops than it would have if they had been permitted to have made them where they were, and that they are trying to collect this as damages for having to do their work some place else?

Mr. MAY. Even if that is the case it is not the fault of the Government if it cost them more to do work in one part of the shop than to do it in another part of the shop.

Mr. GRAHAM. Well, their claim, I assume, is that on account of the cancellation of the contract they are entitled to this as an element of damage because they were not permitted to complete their contract; but you contend that it is not allowable?

Mr. MAY. I do.

Mr. GRAHAM. Of course, the Government paid no part of the expense of making cars, did it?

Mr. MAY. Not to my extent of knowledge; no.

Mr. GRAHAM. They were, however, at that time making cars for the Government?

Mr. MAY. Not in this department. You see, the plants are separated by a big, high fence of some kind and the war Government work was done on the ordnance side.

Mr. GRAHAM. Well, they were making freight cars for the Railroad Administration?

Mr. MAY. Well, I don't know about that.

Mr. GRAHAM. The next item is, "Expense of transferring car machinery to freight shop, \$17,140.77." What do you know about that item?

Mr. MAY. Well, I don't think they are entitled to that, because we paid them.

Mr. GRAHAM. How much and how did we pay it?

Mr. MAY. As charges in the beginning of the contract—moving this machinery—we paid.

Mr. GRAHAM. You know that you vouchered that sort of stuff, do you?

Mr. MAY. Yes; and if there are any additional charges, which would not amount to much, we could have audited and verified this item, but I do not believe they had anything coming on it.

Mr. GRAHAM. As they started on this work and moved this machinery out they put in their labor, did they, and their other expenses of moving this stuff to their other shop?

Mr. MAY. Yes, sir.

Mr. GRAHAM. You know that, do you?

Mr. MAY. Yes, sir; that was vouchered by the accountants on the plant.

Mr. GRAHAM. The next item is, "Unabsorbed operating losses to June 30, 1919, on hotel dormitory and dining room, \$40,926.99." Do you think that is a proper charge?

Mr. MAY. I do not; no. They should be allowed probably some things on that item. No; I want to correct that statement. I do not feel they are entitled to anything on that item.

Mr. GRAHAM. What do you understand that item is?

Mr. MAY. That is the extra charge for the expenses of running the dormitory and clubhouse and staff. That is a shortage that they had on this item, on the club and dormitory and hotel.

Mr. GRAHAM. Did you ever see any of their hotel stationery while they were running that hotel during the war?

Mr. MAY. No; I have never seen it.

Mr. GRAHAM. Do you know whether it was claimed it was run by the Standard Steel Car. Co.?

Mr. MAY. I know it was run by them, but I never did see any of the stationery. I was only at the hotel once.

Mr. GRAHAM. You claim that is not a proper item?

Mr. MAY. Yes, sir.

Mr. GRAHAM. The next item is, "Difference in cost and present value of hotel roadways, garage, etc., less amortization at 20 per cent, \$220,756.84." What have you to say about that?

Mr. MAY. A certain part of that item should be allowed.

Mr. GRAHAM. What part?

Mr. MAY. The depreciation on it.

Mr. GRAHAM. The depreciation on the hotel?

Mr. MAY. Yes, sir.

Mr. GRAHAM. And the roadways, and so on?

Mr. MAY. Yes, sir.

Mr. GRAHAM. Why?

Mr. MAY. Because it is the policy of the Government to allow depreciation of those things they use in the Government contracts.

Mr. GRAHAM. Do you think it was using this hotel in the Government contract.

Mr. MAY. Not on the contract; but in a certain way it was used by the Government employees and some of the Standard Steel Car Co. employees, which facilitated their being on the job. But that item is excessive by from \$180,000 to \$200,000.

Mr. GRAHAM. The next item is, "Returning plant to prewar conditions, \$90,000." What do you say about that item?

Mr. MAY. Well, I do not figure that they are entitled to that amount. I know it is the policy of the Government on a lot of plants to restore the plant to the condition it was in before, but as they bought this plant, I do not feel that they are entitled to anything on it; they bought the property and it is in better shape now than before.

Mr. GRAHAM. And if the Government would return the plant to the prewar conditions it would do them a positive injury instead of a benefit?

Mr. MAY. Yes, sir; that is my opinion of it.

Mr. GRAHAM. I think that is very evident from an inspection of the plant. The plant is better suited for their purposes now than it ever was, isn't it?

Mr. MAY. I think so; yes, sir. The machinery they have now is far better than it was before the war; it is newer type, and the buildings are in better shape than they ever were before.

Mr. GRAHAM. The old buildings that they used to use for the passenger car, I think the Government rebuilt; that was made of corrugated metal?

Mr. MAY. Yes, sir; I think it was; I was only in it once.

Mr. GRAHAM. And the Government rebuilt it and made it of brick?

Mr. MAY. Yes, sir.

Mr. GRAHAM. The next item is, "Plant occupancy since suspension, \$100,000"; what do you say about that?

Mr. MAY. That may be allowable, but it is, in my opinion, excessive. I think \$25,000 a month since production ceased is excessive. The machinery is just idle, and it is taken care of and it is oiled and greased, and everything is looked after in good shape. While at the same time they may be losing money in production; but it is my opinion they have no plans ready to start in production on anything else.

Mr. GRAHAM. And, therefore, that they are not suffering any financial damage by reason of this stuff being in that building?

Mr. MAY. That is my opinion.

Mr. GRAHAM. Then finally, "Sums expended on United States buildings, \$65,760.32."

Mr. MAY. That item may be allowable, subject to an audit or verification, because I think on one allotment they overrun this allotment by this claim; and that is subject to verification by us; if we find that is true that should be allowed.

Mr. GRAHAM. Did you ever talk with Col. Hughes very much about this settlement or contract?

Mr. MAY. No, sir; he never inquired of me anything about it.

Mr. GRAHAM. Who had charge of the ordnance office here before Col. Hughes came down on this particular contract?

Mr. MAY. Col. E. E. Arison.

Mr. GRAHAM. When did Col. Hughes come?

Mr. MAY. He has been here a matter of two months or more in an unofficial capacity, supposed to be sent here to settle this Standard Steel Car Co. contract. First he was made chairman of the Chicago district board and the claims board.

Mr. GRAHAM. He was sent here for that purpose?

Mr. MAY. That is the report around the office. That is the only information that came to me, by hearing it around the office.

Mr. GRAHAM. How long after he came here did Col. Arison continue to have charge of the office?

Mr. MAY. Up to about October 1.

Mr. GRAHAM. About a month?

Mr. MAY. About two months, I imagine.

Mr. GRAHAM. During that time what was Col. Hughes doing?

Mr. MAY. He was mostly sitting around in Col. Arison's office; I do not know what his duties were, but I was in the office frequently to take up matters, and he was in there; that is all I can say.

Mr. GRAHAM. Was he down at this plant very much?

Mr. MAY. Not to my knowledge; he may have gone down two or three times in the two months.

Mr. GRAHAM. Do you know whether during that time he was in consultation with the officials of the Standard Steel Car Co.?

Mr. MAY. I do not; no.

Mr. GRAHAM. Well, I judge from what you accountants say that you had some trouble in trying to get information from the Standard Steel Car Co. about the things you wanted to know?

Mr. MAY. We did.

Mr. GRAHAM. Did you notice or observe any difference or change in the atmosphere about that matter before Col. Hughes came and after he got here?

Mr. MAY. Well, I should say, if anything—I would not want to say positively, but if anything it was worse after he came.

Mr. GRAHAM. I think I asked you whether you talked with Col. Hughes about this claim?

Mr. MAY. No, sir; I did not.

Mr. GRAHAM. He never sought your advice about it?

Mr. MAY. He never sought any of the accountants' advice on it whatever.

Mr. GRAHAM. Were you present at either of the meetings, the one at Hammond or the one at Chicago?

Mr. MAY. No, sir; I was not.

Mr. GRAHAM. Were you invited to be present?

Mr. MAY. No, sir; I was not.

Mr. GRAHAM. Do you know whether any of the accountants were invited?

Mr. MAY. I think none were invited, but Mr. Blakey had some matters to take up with Col. McFarland—he was not invited, but he wanted to tell Col. McFarland that this claim had not been audited as stated by Col. Hughes.

Mr. GRAHAM. Do you know whether Col. Hughes did actually make this statement; you were not at the meeting, of course?

Mr. MAY. I was not at the meeting, of course, but I have some evidence that he did not show the letters of Mr. Blakey to the people there.

Mr. GRAHAM. What is your evidence?

Mr. MAY. I have his word for it, which I would be willing to take.

Mr. GRAHAM. You do not know anything personally?

Mr. MAY. Nothing, only by hearsay.

Mr. GRAHAM. Do you know anything about this claim—about other subjects that we have not inquired about, Mr. May, that would throw any light on it?

Mr. MAY. All I can say is it was not handled in the regular procedure; no audits made of it; not referred to any committee to make a staff report; no staff report was made on it; there seemed to be haste on it as much as possible.

Mr. GRAHAM. Was there usually a staff report on claims of this kind?

Mr. MAY. Yes, sir; from the Secretary's office, a certain number of copies were made and sent out, with the request that the report be made. One copy was turned over to a committee consisting of three men who made a report and used the field investigator and reported, and the accountants' report together, and they had this as a staff report which was considered in their meetings.

Mr. GRAHAM. That was not done in this case?

Mr. MAY. No, sir; there seemed to be haste in getting this thing settled from the time it started; they had these people come from Washington, and stayed there a short time and then it was sent to Washington, and as I understand the check was issued very shortly afterwards.

Mr. GRAHAM. Do you want to ask him anything, Mr. Jefferis?

Mr. JEFFERIS. Mr. May, you say that Col. Hughes became chief of the district claims board October 1?

Mr. MAY. Yes, sir.

Mr. JEFFERIS. Then he had been out here two months before that?

Mr. MAY. That is my understanding, that he was here something like that; I could not say just the time; but, as I remember it, it was around two months.

Mr. JEFFERIS. Do you know whether he was a member of the claims board during that two months?

Mr. MAY. He sat in on the meetings, but I do not imagine he could sign as an official member.

Mr. JEFFERIS. You do not know, however?

Mr. MAY. I have no knowledge that he did or did not; I have no definite information on that subject.

Mr. JEFFERIS. Do you know who ordered him out here?

Mr. MAY. No, sir.

Mr. JEFFERIS. Or how he happened to come to Chicago?

Mr. MAY. All I know about the contract, he had had dealings with it from the beginning; he signed the original procurement order giving this contract to the Standard Steel Car Co.

Mr. JEFFERIS. Do you know whether or not Col. Hughes settled the fixed amount of fixed profit at \$4,000 per carriage?

Mr. MAY. Yes, sir; that was recommended by him. I saw copies of his letter which he had written to the contract section, stating that it had been agreed upon there was to be a profit of \$4,000 on each carriage.

Mr. JEFFERIS. Mr. Russell, was he on duty here during September?

Mr. MAY. Well, I don't know just what months he was away; I know he was away a whole month at one time on a vacation of some kind.

Mr. JEFFERIS. When did he cease to be chief of the claims board of the Chicago district, if you know?

Mr. MAY. Somewhere around July; I could not say the exact date.

Mr. JEFFERIS. Did you ever take these matters up with Mr. Russell at any time to try to get this information?

Mr. MAY. The only information—we did; we took up quite a few items with Mr. Russell requesting more cooperation from the contractor, and the only item I can remember was on this profit. At one time the contractor was requesting us to pay profit on the carriages delivered, and he stated that as the procurement order was not definite on this point he could not be paid profit on that point.

And on the strength of that he wrote a letter into the district office; he wrote a letter on that, an official letter, and forwarded it to our chief in Washington, suggesting that the parties be brought together and settle this as quickly as possible, what the profits on the gun carriages should be.

Mr. JEFFERIS. Mr. Russell really assisted you, then, in getting what you wanted?

Mr. MAY. That was my understanding, that he did; yes, sir.

Mr. JEFFERIS. Were you able to get it with his assistance?

Mr. MAY. We have not been able to get it yet, all the information that we wanted.

Mr. JEFFERIS. And then, as I understand it, Mr. Russell was succeeded by Col. Arison as Chief of the Claims Board?

Mr. MAY. No; I think he was succeeded by Mr. Lyons, who was chief before Col. Arison for some time.

Mr. JEFFERIS. How long was Col. Arison Chief of the Claims Board here before Col. Hughes came in?

Mr. MAY. I think a matter of two months or more.

Mr. JEFFERIS. Was Col. Arison an Army officer?

Mr. MAY. No, sir; he was a civilian who was given a commission during the present war.

Mr. JEFFERIS. I would like to see that statement that you spoke to Mr. Graham about there, first when he first began to interrogate you, wherein you gave a conversation that you heard Col. Hughes have with Mr. Miller.

Mr. MAY. Yes; that is this paper here [handing a paper to Mr. Jefferis].

Mr. JEFFERIS. When was it that you heard Col. Hughes direct Mr. Miller or tell him to audit certain items marked "X" in a couple of days?

Mr. MAY. Well, I could not state just the exact time it was, but it was a matter of three weeks ago, probably.

Mr. JEFFERIS. Well, how long was it before this award was made?

Mr. MAY. Well, it was about two or three days before the meeting was had where it was decided on that they should be allowed this amount; maybe two or three days before that.

Mr. JEFFERIS. And just what did Col. Hughes say to Mr. Miller, the accountant, at that time?

Mr. MAY. Well, as well as I remember—I can not repeat that conversation—but he came over and said, "I have a paper here on which some items appear which the Standard Steel Car Co. are claiming and on which I would like to have an audit made as soon as possible, and I would like to have this statement, with your report, within two or three days."

Mr. JEFFERIS. What response did Mr. Miller make?

Mr. MAY. I think he stated that it could only be a superficial examination in that length of time; that we could only look over the items and make a report on our knowledge without going any further.

Mr. JEFFERIS. Is this paper I hold in my hands the original paper, with the original marks on it?

Mr. MAY. There were two, the original and one copy. I could not state whether this was the one or the original Mr. Blakey got—here is the original now.

Mr. JEFFERIS. Would you state into the record the items as shown on that paper, which were marked with a cross, and about which Col. Hughes made this statement to Mr. Miller?

Mr. MAY. Yes, sir.

Granted value plant, exclusive of land, \$1,000,000. For period 18 months, at 6 per cent, \$98,910.

(b) Loss of proportion of administrative expense. Had the Hammond plant been on production contemplated the proportion of direct labor cost to that of the other plants of the company would have increased the administrative expense chargeable to the Hammond plant to \$300,000, \$62,498 of which was paid, leaving balance \$237,501.32. As it is an item of cost, 10 per cent profit, \$23,750.13; total, \$261,251.45.

Not properly considered an item of claim, as it would ordinarily have been vouchered and paid as deliveries, accrued 10 per cent profit on parts procured at plant and 5 per cent on part procured outside, used on actual cost and claim settlement, \$656,394.05.

(c) Ten per cent profit on jigs, tools, and fixtures, and special machines properly chargeable to overhead expenses, estimated as costing \$500,000; 10 per cent profit of \$500,000, \$50,000.

Allowed Standard Electric.....	\$121,585.57
Sums not allowed previously.....	2,475.74
Difference between actual cost and estimated cost as shown by company's books.....	467,184.51
Expense.....	17,140.77
Total cost facilities.....	473,072.17
Allowed.....	65,760.32
Allowed difference still due.....	29,066.18
Allowed interest now due.....	41,002.54

Mr. JEFFERIS. Now, then, in regard to this statement, Mr. May, those items that were not marked with an "X," what, if any, instructions or requests did Col. Hughes make to Mr. Miller regarding them?

Mr. MAY. He said no audit would be required.

Mr. JEFFERIS. And those items are designated by check marks on this?

Mr. MAY. Yes, sir.

Mr. JEFFERIS. You may give a list of those designated by a check mark.

Mr. MAY. Schedule 1. Granted value land, 66 acres, at \$1,500, \$99,000.

Schedule 2. Sum equal to that proportion of 964 times \$4,000, which the total cost of work done prior to June 28, 1919, bears to the total cost of work done, or 55.34 per cent of \$3,856,000. Granted 200 times \$4,000, \$800,000.

Schedule 3. Compensation for preparation plant (negotiated), a settlement of composed claim of \$385,600, \$50,000.

Schedule 7. (b) Plant occupancy, \$150,000; (b) allowed, \$150,000.

Mr. JEFFERIS. Did you hear any other conversations by Col. Hughes other than which you have given with Mr. Miller regarding this claim?

Mr. MAY. No, sir; I did not.

Mr. JEFFERIS. Mr. May, the committee was out at Hammond yesterday, and observed and went through a very large building there that was supposed to have been constructed by the Standard Steel Car Co. and the Government for the manufacture of these carriages; were you there during the course of the construction of that building?

Mr. MAY. No, sir; I was not.

Mr. JEFFERIS. It was entirely completed when you went there, was it?

Mr. MAY. Yes, sir.

Mr. JEFFERIS. The committee also observed yesterday, going through that building, immense quantities or an immense number of machines, large, and apparently of standard make, and thoroughly equipped. Do you know who paid for those?

Mr. MAY. Yes, sir; the Government paid for them as increased facilities.

Mr. JEFFERIS. Are you out there at the plant at all now, Mr. May?

Mr. MAY. Only when I go out occasionally to take up matters with the accountants is all.

Mr. JEFFERIS. Have you as cost accountant any data from which you can tell us anything about the cost of that machinery that was installed in those buildings?

Mr. MAY. Yes, sir; I have the figures here.

Mr. JEFFERIS. And it was paid for by the United States Government?

Mr. MAY. Yes, sir.

Mr. JEFFERIS. You may tell what that was.

Mr. MAY:

Cost of machines purchased.....	\$1, 143, 179. 12
Shafting, belting, pulleys.....	40, 536. 29
Dies, jigs, and small tools purchased.....	342, 733. 25
Utilization equipment (motors, switchboards, airlines, etc.).....	19, 989. 46
Traveling cranes.....	180, 944. 07
Automobiles.....	50, 972. 71
Shop motors and house trucks.....	18, 425. 00
Miscellaneous equipment (angle irons, lockers, locks, etc.).....	95, 004. 06
Furniture purchased.....	63, 668. 49
Commissary equipment.....	25, 676. 20
Surplus material charges.....	89, 857. 04
Material purchased to make tools, dies, jigs, and small machines.....	128, 241. 70
	<hr/>
	2, 177, 227. 39

That makes a total of \$2,177,227.39; this does not include any cost of any material going into the buildings.

And material:

Direct material.....	\$5, 262, 661. 46
Finish parts (subcontractors).....	2, 519, 139. 12
	<hr/>
	7, 781, 800. 58
Direct material.....	5, 262, 661. 46
Indirect material.....	512, 406. 82
Material purchased for increased facilities.....	2, 177, 227. 39
	<hr/>
	\$7, 952, 295. 67
Of direct material, 35 per cent used in gun carriage (estimated).....	2, 631, 330. 73
Shipped to Watertown, 10 per cent (estimated).....	526, 266. 15
Increased facilities shipped to Watertown, 20 per cent (estimated).....	435, 445. 48
	<hr/>
	3, 583, 042. 36
	<hr/>
	4, 369, 253. 31

Bought for \$300,000.

Mr. JEFFERIS. What kind of machines were those that were placed there and which cost \$1,143,179.12?

Mr. MAY. Well, I am not very familiar with machinery, but according to my understanding it covered lathes and drills and presses and all kinds of machines necessary to do heavy machining, and also to make tools and that sort of stuff, which, according to my understanding, is regular equipment which could be used for their work other than which it was purchased for.

Mr. JEFFERIS. What is the fact as to whether it was new, up-to-date machinery when it was purchased?

Mr. MAY. It was brand-new machinery; never been used before.

Mr. JEFFERIS. About when was it placed in this Standard Steel Car Co. building?

Mr. MAY. I could not say as to that, but it was placed along at the beginning of the contract, it came in and was placed as fast as it could be placed.

Mr. JEFFERIS. What about these traveling cranes that are mentioned here as \$180,944.07; what sort of cranes were those?

Mr. MAY. That is a machine that is fastened on one side of the building, and on the other side, and the crane runs along the entire building, which is used to move heavy articles.

Mr. JEFFERIS. Do you know how many of those there were?

Mr. MAY. No, sir.

Mr. JEFFERIS. The length of that building is about what?

Mr. MAY. The Government extension was 600 feet; I do not know how much was on it before.

Mr. JEFFERIS. Do you know what was the entire length of the building?

Mr. MAY. No, sir; I do not.

Mr. JEFFERIS. As a matter of fact, the whole building was built at once, wasn't it?

Mr. MAY. Well, the extension of 600 feet was put on by the Government; I could not say whether it was built after the other end was completed or not.

Mr. JEFFERIS. What furniture is included in this item of \$63,668?

Mr. MAY. Furniture necessary to equip an office, such as desks, typewriters, and articles of that nature.

Mr. JEFFERIS. What is included in that item, "Material purchased to make tools, dies, jigs, and small machines, \$126,241.70"?

Mr. MAY. Tool steel, and articles of that nature, which is, I imagine, in the place out there now; high-grade tool steel costing quite a bunch of coin.

Mr. JEFFERIS. Whatever is left is available for the same purpose?

Mr. MAY. For any purpose; yes, sir.

Mr. JEFFERIS. In other words, that did not change what is left?

Mr. MAY. No, sir.

Mr. JEFFERIS. These automobiles, \$50,972.71; do you know what make they were?

Mr. MAY. There was a lot of Fords, and I think they were used as busses, to transport the employees of the Standard Steel Car Co. working on the Government side to and from the job; according to my understanding there was about 23 of those machines.

Mr. JEFFERIS. Did they have any others?

Mr. MAY. Well, I imagine that there were two passenger cars there was a lot of dispute over, may be included in that; I could not state; I am not informed on that point.

Mr. JEFFERIS. Then, as I understand it, Mr. May, all of the cost of this machinery, tools, furniture, and so forth, mentioned by you in your former answer was paid for by the Government at the time they were purchased there?

Mr. MAY. It was, all of it.

Mr. JEFFERIS. What was your observation as to the condition of that machinery and other equipment at the time of this settlement, as to whether it was injured in any way, or whether it was in good running condition?

Mr. MAY. I could not state as to that, as I have not been at the plant for about two months.

Mr. JEFFERIS. Did you, as a cost accountant, know anything about the amount of coal that was on hand there?

Mr. MAY. I could not say just the amount that was on hand; I know they had a big pile of coal there. I could not state how much, or what quantity.

Mr. JEFFERIS. Do you know anything as to the cost of that coal there on the ground?

Mr. MAY. Coal of that kind they had there usually cost from \$2.50 to \$3.25 per ton; that is the price that was invoiced.

Mr. JEFFERIS. Did you check that up in any way?

Mr. MAY. I did not personally, no; but Mr. Grafke and Mr. Blakey and other assistants did. They saw the invoices on the stuff.

Mr. JEFFERIS. We were informed out there yesterday on going over the plant that the slack coal that they were using in the boilers cost \$4 per ton.

Mr. MAY. That may be right; I could not say. My other answer should not be taken as correct, because I could not say offhand how much was paid for it.

Mr. JEFFERIS. Then you haven't any real direct knowledge on that subject?

Mr. MAY. Well, none, only—I might say I haven't any; we could get that for you.

Mr. JEFFERIS. We were informed by the representative of the Standard Steel Car Co. yesterday afternoon out there that it was \$4 f. o. b.

Mr. GARRETT. That is, f. o. b. there?

Mr. MAY. Well, that item can be verified very easily.

Mr. JEFFERIS. Now, have you any personal knowledge as to whether or not there has been a strike out in this Standard Steel Car Co.'s shop for some months past?

Mr. MAY. Yes, sir; I have. I was out at the plant one Sunday to see Mr. Blakey and while I was there the troops there that were on guard were having a parade and I happened to see them.

Mr. JEFFERIS. You do not know as a matter of fact whether they have been running any part of their factory for some months?

Mr. MAY. No, sir; I do not. I am not informed on that point.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, do you want to ask anything?

Mr. GARRETT. I want to ask you, Mr. May, about the direct materials on this statement of figures that you gave a few moments ago, of \$5,262,661.46. How was that arrived at?

Mr. MAY. Those two totals taken together, the subcontractors' and the \$5,000,000 that you refer to, covers the direct material on the contract.

Mr. JEFFERIS. The \$5,262,661.46 represents the material that was purchased and sent right to this particular plant?

Mr. MAY. That is my understanding of it.

Mr. GARRETT. And the \$2,519,139.12 represents the value of the subcontractors' material?

Mr. MAY. Yes; that represents material shipped by the Government to the contractors' plant and the cost of material also; material received from a subcontractor, the labor, and everything, is considered as material when returned to the prime contractor.

Mr. GARRETT. Now, the item direct material is then repeated in amount?

Mr. MAY. Yes, sir.

Mr. GARRETT. And then indirect material, \$512,406.82?

Mr. MAY. Yes, sir.

Mr. GARRETT. Now, is that in addition to the \$2,177,227.39 given above?

Mr. MAY. Indirect material consists of supplies such as are necessary to run a shop, tool steel, and items of that nature, which does not enter into the product itself, and that item of indirect material is items of that kind.

Mr. GARRETT. Well, I notice one of the items above, in the first list of figures given, was "Material purchased to make tools, dies, jigs, and small machines."

Mr. MAY. Yes; maybe tool steel for replacements for tools worn out, it would be necessary to purchase additional tool steel to make new tools.

Mr. GARRETT. Where do these figures come from?

Mr. MAY. These bottom items were some figures which Mr. Grafke and I prepared for our own information, which would show the amount of material which the Standard Steel Car Co. received for this \$300,000.

Mr. GARRETT. Now, where did you get that item of \$512,406.82; do you remember?

Mr. MAY. From the records at the plant.

Mr. GARRETT. And you are quite sure that that is in addition to the \$2,177,227.39?

Mr. MAY. Yes, sir; that is a different item altogether. The item of \$2,177,227.39 is increased facilities, and this other item here is indirect material, which is not purchased out of the same allotment.

Mr. GARRETT. So that the total is the total of increased facilities, direct material, finish parts, and indirect material—\$7,952,295.67?

Mr. MAY. That is not finished parts.

Mr. GARRETT. I say finish parts from subcontractors—

Mr. MAY (interposing). That item of \$7,952,295.67 which you refer to consists of direct material, indirect material, and material purchased for increased facilities.

Mr. GARRETT. It does not include the finish parts from subcontractors?

Mr. MAY. No, sir.

Mr. GARRETT. \$7,952,295.67 represents the total of direct material, indirect material, and material purchased for increased facilities?

Mr. MAY. Yes, sir.

Mr. GARRETT. Now, the direct material 35 per cent used in gun carriage, estimated—

Mr. MAY (interposing). That was only an estimate prepared by Mr. Grafke and myself; that is what we estimated on the direct material that went into the 200 gun carriages.

Mr. GARRETT. Is the same true of the estimate shipped to Watertown—10 per cent?

Mr. MAY. Yes, sir.

Mr. GARRETT. And the 20 per cent increased facilities shipped to Watertown?

Mr. MAY. Yes, sir.

Mr. GARRETT. That is only an estimate?

Mr. MAY. Estimated by Mr. Grafke and myself.

Mr. GARRETT. So you estimate there was \$4,369,353.31 that was bought for \$300,000?

Mr. MAY. Yes, sir.

Mr. GARRETT. And that includes no buildings?

Mr. MAY. No, sir.

Mr. GARRETT. Or material for buildings?

Mr. MAY. No, sir.

Mr. GARRETT. Now, some way I have got the information from this testimony that the \$600,000 was the bid of the contractor for the buildings?

Mr. MAY. Yes, sir.

Mr. GARRETT. Am I right about that?

Mr. MAY. Yes; I could not say positively, but that is the understanding that I have.

Mr. GARRETT. So that makes a total of \$900,000?

Mr. MAY. Yes, sir.

Mr. GARRETT. Have you a list of the buildings?

Mr. MAY. I have no list of the buildings—

Mr. GARRETT (interposing). And the cost?

Mr. MAY. I have no list of the buildings and cost. I have only a list of the allotments which was to be used for the erection of the buildings; I can give you those.

Mr. GARRETT. Well, now, going back to the awards concerning which Mr. Graham asked you, just one or two questions: The item, "Unabsorbed costs for preparation of plant, \$60,000"?

Mr. MAY. Yes, sir.

Mr. GARRETT. You stated you felt quite sure that had been paid;

Mr. MAY. Yes, sir; I do.

Mr. GARRETT. Have you any records in your office, or with you, showing any vouchers for that?

Mr. MAY. We can show where at the beginning of the contract that we have paid items of this kind; and after an audit I could say but without an audit I could not say whether that exact amount of \$60,000 was included in what we paid; but I believe it is, and I am pretty certain of it.

Mr. GARRETT. Now, there was another item concerning which your testimony was to the same effect, I think the very next item—\$467,184.51 for passenger-car work done in freight shop?

Mr. MAY. Yes, sir; I do not feel that they are entitled to any part of that amount.

Mr. GARRETT. Oh, the item you thought had been paid was the next item, "Expense of transferring car machinery from shop, \$17,-140.77."

Mr. MAY. Yes, sir; we paid items of that kind, and I am pretty certain that this item was included in what we paid.

Mr. GARRETT. I believe you stated this claim was never discussed by you with Mr. Russell or Col. Arison?

Mr. MAY. No, sir; it was never referred to any of the accountants, only on the occasion which I have stated.

Mr. GARRETT. Mr. Palmer was a member of the claims board, was he not?

Mr. MAY. No, sir; I think he is a member of the staff.

Mr. GARRETT. He was not on the claims board?

Mr. MAY. No, sir; I don't think he was. However, he is present, and you can get that statement from him. You were never a member of the claims board, were you [addressing question to Mr. Palmer]?

Mr. PALMER. No, sir.

Mr. MAY. He is not a member.

Mr. GARRETT. Did you ever discuss this claim prior to this settlement with anybody who had to do with the settlement?

Mr. MAY. Yes, sir.

Mr. GARRETT. Who?

Mr. MAY. Mr. Blakey and Mr. Grafke and Mr. Miller.

Mr. GARRETT. Just the accountants?

Mr. MAY. Yes, sir; no one referred it to us for discussion other than the one time that was mentioned.

Mr. GARRETT. That is all.

TESTIMONY OF JOHN H. PALMER, MANAGER OF THE STAFF, CHICAGO ORDNANCE OFFICE.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name?

Mr. PALMER. John H. Palmer.

Mr. GRAHAM. Mr. Palmer, I am showing you a letter here which appears in the record, and which bears your signature.

Mr. PALMER. Yes, sir.

Mr. GRAHAM. You are familiar with the letter, no doubt; it is about salvage?

Mr. PALMER. Yes, sir; I have a copy.

Mr. GRAHAM. It is in the files. This letter bears date September 22, 1919, and takes up the matter of the salvage offer of Briggs & Turvais on salvage property at the plant of the Standard Steel Car Co. What is your official connection with the War Department, Mr. Palmer?

Mr. PALMER. I am manager of the staff.

Mr. GRAHAM. At the Chicago office?

Mr. PALMER. Chicago office; yes, sir.

Mr. GRAHAM. What are your duties as such manager?

Mr. PALMER. Well, I manage all the committees, and the majority of the transactions that go through have my approval. I go over all

the claims after the committees are through with them. I prepare them, with my assistant—my assistant prepares them for the claims board after all the detail work is done.

Mr. GRAHAM. Where a claim is filed with the board now, what is the ordinary procedure?

Mr. PALMER. You mean when it is filed, before passed through the board?

Mr. GRAHAM. Yes; take from the beginning now and tell us just what happens.

Mr. PALMER. Well, in the first place, the claim comes in and is filed by the clerks who stamp all the mail that comes in; they stamp all the claims, each sheet; then, after it is all stamped, it is recorded with a recording stamp, and it is then passed on to my desk for distribution to the different committees and the accounting or auditing department they get to help them. The committee that is handling the claim gets three copies of it, one for their investigators that they send out—

Mr. GRAHAM (interposing). Who appoints the committee that handles the claim?

Mr. PALMER. The committees that handle this claim, that handle them in the different departments; for instance, the ammunition department, if a claim happens to be in under the ammunition section, why, that is handled by the committee that has been handling it—artillery and ammunition. The small arms, we have a committee, or have had committees that handled small-arms claims, because they were connected with the production end of the business and are acquainted with the different articles that are made.

Mr. GRAHAM. Then they are standing committees, and it automatically goes to one of them?

Mr. PALMER. Automatically goes to one of them. If there isn't a committee I appoint them; I select the men.

Mr. GRAHAM. These committees are composed of what personnel, usually; are they members of the board?

Mr. PALMER. Oh, no; not members of the board.

Mr. GRAHAM. Who are they?

Mr. PALMER. They are civilians or commissioned officers that were carried along since the war, and owing to their acquaintance with these matters we have formed them into committees, using the material, so far as experience and brains go, to work on these claims.

Mr. GRAHAM. Now, after a committee goes through it, it reports to you, does it?

Mr. PALMER. They write out a staff report, and the staff report is handed over to me.

Mr. GRAHAM. Then what do you do with it?

Mr. PALMER. Then I go over the staff report, roughly, taking up the different items and looking them over, and if they do not look right to me I do not approve them; I send them back to be rewritten or explained as to why a certain item was recommended or approved or disapproved.

Mr. GRAHAM. I assume that is the way you happened to write this letter to the Chicago district claims board relative to the claim of the Standard Steel Car Co.?

Mr. PALMER. In one way it is. That matter was brought up to me and the different items that are in there were discussed previous to

the time that the claim was passed through. Now, this claim was never given to any committee. I had it on my desk and I was trying to locate a committee to handle it, and all the committees that I had were very busy with other work, and pending that it was on my table, and finally it was decided that it should be handled by Col. Hughes.

Mr. GRAHAM. Who decided that?

Mr. PALMER. Why, the claims board. I took it up with the claims board as to who they thought would be the proper man to handle it.

Mr. GRAHAM. Now, in talking to the claims board who did you talk to about it?

Mr. PALMER. I talked to Col. Arison and Mr. Russell; I do not remember anybody else there now.

Mr. GRAHAM. Now, what was Col. Hughes doing here at that time?

Mr. PALMER. Well, I can not answer that. He came out here for special work, as I understand it. I never have been inquisitive enough to ask the real special reason for his coming out here.

Mr. GRAHAM. How long had he been here at that time?

Mr. PALMER. I should imagine five or six weeks; it might be around there.

Mr. GRAHAM. Ordinarily automatically this claim would have gone to what committee?

Mr. PALMER. Well, it would have gone to the cannon and carriage committee.

Mr. GRAHAM. Who were they composed of?

Mr. PALMER. Of Maj. Schank, who at that time was just getting out of the service; I think that was the reason why I did not have that committee to hand it over to. And Col. Hughes was suggested by the board, and he could have taken as many men on there as he wanted to. In other words, he had entire charge of the claim settlement.

Mr. GRAHAM. Well, why did they pick Col. Hughes and not send this to the regular committee?

Mr. PALMER. Well, we did not have a regular committee at that time, as I told you; Maj. Schank was retiring and we did not have a committee.

Mr. GRAHAM. How many men were on that committee?

Mr. PALMER. They did have Capt. Carver, who was retiring, and they had only one man left on there, Mr. W. J. Robertson, but he had a lot of other work and made it impossible for him to handle it.

Mr. GRAHAM. Hughes was not on this committee?

Mr. PALMER. No; he was not.

Mr. GRAHAM. Do you know whether Mr. Russell or Mr. Arison suggested that Hughes handle it?

Mr. PALMER. That is pretty hard to say; they were in the same offices there.

Mr. GRAHAM. You did not suggest it?

Mr. PALMER. No; but I thought it was a good thing to have him handle it.

Mr. GRAHAM. Why?

Mr. PALMER. He was an active man and an active brain, and I think it was a good thing to have him handle it, and he could have called other men around to have them help him.

Mr. GRAHAM. Did he do so, do you know?

Mr. PALMER. I guess he interviewed other people.

Mr. GRAHAM. Did he have anybody helping him?

Mr. PALMER. I think not; no, sir.

Mr. GRAHAM. What was the colonel doing? I think you said you did not know.

Mr. PALMER. What his official position was; no.

Mr. GRAHAM. What was he doing?

Mr. PALMER. He was helping the claims board; he was sitting in on the claims board meetings, and doing anything he could to assist them in the regular claims board work.

Mr. GRAHAM. Did you hear it intimated at that time that he was out here for the settlement of this particular claim?

Mr. PALMER. Oh, no; I think that was a happenstance that he got the claim, so far as I know.

Mr. GRAHAM. What makes you think that?

Mr. PALMER. I had the claim on my desk for two weeks, and I was beginning to worry about it. We were being urged by Washington to force all the claims through as quick as possible.

Mr. GRAHAM. Who told you that?

Mr. PALMER. General orders.

Mr. GRAHAM. Did you get any general orders to expedite these claims?

Mr. PALMER. We got it through Mr. Russell, who was chairman of the board.

Mr. GRAHAM. Did he get it from Washington?

Mr. PALMER. He must have; I did not see it.

Mr. GRAHAM. How did Mr. Russell indicate to you that he wanted you to hurry the matter up?

Mr. PALMER. We were from time to time urged to get through on a certain date; we were expected to get through with all these claims on a certain set date.

Mr. GRAHAM. What day was that?

Mr. PALMER. There were so many dates that it is pretty hard to recall them.

Mr. GRAHAM. Did you have meetings at which he urged this sort of thing?

Mr. PALMER. We did have a few meetings, yes.

Mr. GRAHAM. Mr. Russell was urging, then, that you should get done with these claims?

Mr. PALMER. All the claims that were in the office.

Mr. GRAHAM. This particular claim, to get done and settle up?

Mr. PALMER. Yes; as quickly as possible.

Mr. GRAHAM. Why?

Mr. PALMER. We wanted to get through, and owing to the fact we were having demands made on us by the contractors who were short of money; they were really in need of it and the banks were urging them, and they were after us all the time to get through with these claims so that they could get money to go into other work, and into their regular business.

Mr. GRAHAM. Then the idea was not to embarrass business, but to get done so they could have money to carry on business?

Mr. PALMER. Yes, sir; and there was equipment standing idle all the time waiting for these things.

Mr. GRAHAM. Did anybody urge on you the necessity of safeguarding the public interests in these matters?

Mr. PALMER. Oh, my, yes.

Mr. GRAHAM. Who advised you about that?

Mr. PALMER. In all of our bulletins or instructions from Washington we were absolutely to go through each claim as quickly as we could by every item, and give particular attention to every one and be fair to the contractor and fair to the Government.

Mr. GRAHAM. How could you be fair to the Government—just from curiosity—how could you be fair to the Government in a settlement of this claim and have it settled the way it was?

Mr. PALMER. Well, I don't know; I do not want to criticize the work that was done on it.

Mr. GRAHAM. Why don't you, if it was not right?

Mr. PALMER. I have not said it was not right.

Mr. GRAHAM. If it was not right.

Mr. PALMER. If it was not right I would probably criticize it.

Mr. GRAHAM. Do you think it was right?

Mr. PALMER. I would not want to say that; I might criticize a few things, as I have done there.

Mr. GRAHAM. Tell us about this salvage offer, Mr. Palmer; you knew about this salvage offer of Briggs & Turivas?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. Where did you get this letter; did the letter come to you from Briggs-Turivas making this offer of 15 per cent, or did it come to Col. Hughes; which?

Mr. PALMER. All kinds of mail comes through my hands; it is sent to the office and is delivered to my desk and distributed; I distribute all of the mail and most of the telegrams.

Mr. GRAHAM. These particular letters from Briggs & Turivas, in which these offers were made, did they come to you direct?

Mr. PALMER. They came to my desk, and I then passed them in, I think, to the claims board. I do not know who was in there, but I passed them in to the desk, I think several of them were sitting there at the time.

Mr. GRAHAM. Now, then, can you be definite about that, Mr. Palmer?

It is quite important that we know whether the claims board ever knew that these letters were in existence; Col. McFarland and Col. Reeves testified they never knew of these letters until after it was all over.

Mr. PALMER. Col. Arison was there, and Col. Hughes was there, as I brought them in.

Mr. GRAHAM. So that they both knew about these offers?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. What did they say about them, if anything?

Mr. PALMER. Well, if you will allow me, I think I can explain this better by giving you a little history proposition.

Mr. GRAHAM. All right.

Mr. PALMER. In the settlement of claims we are allowed to deal with the contractor, and if we can not make a satisfactory deal with the contractor we are compelled to send the material over to the salvage board for disposition. The reason that Briggs & Turivas were called into this proposition was simply to get a bid to enable us to force the Standard Steel Car Co. to a higher bid than they had already made. We, as my letter will show you there, had no

procedure whereby we could sell this material to Briggs & Turivas or anybody else, only to the salvage board other than the contractor, therefore the bid was simply a guide, or to work by; a protection, otherwise, to find out what we could get for the material by some outside bid.

Mr. GRAHAM. You never did expect, then, to let anybody else have it?

Mr. PALMER. We couldn't; we could not sell it.

Mr. GRAHAM. Explain that to us so we will understand why you couldn't.

Mr. PALMER. As I told you, the rules from Washington, and the bulletins would not allow us to handle the material, Government-owned, through anybody else in the way of sale but the contractor.

Mr. GRAHAM. You absolutely understood that it was the intention of the Government in all cases to sell this stuff to the contractor, did you?

Mr. PALMER. What do you mean?

Mr. GRAHAM. The salvage property.

Mr. PALMER. We were to sell it to the contractor if we could; if we could get a fair price for it.

Mr. GRAHAM. Well, you had no authority to sell to anybody else?

Mr. PALMER. No; these bids that came from the other people through Mr. Vail, and he asked them to bid on it, was simply a bid for information.

Mr. GRAHAM. Was that true in all cases—was it of claims?

Mr. PALMER. In all cases; yes, sir.

Mr. GRAHAM. Now, I am curious to know upon what you base your judgment that that was a fact. Now, I agree that that was the effect of the rules, but you told this committee now what the Government had said to you or given you in the way of instructions that made your board feel that you had to sell that stuff to the contractor.

Mr. PALMER. We did not; I do not agree to the statement that we had to sell it to the contractor.

Mr. GRAHAM. Well, who could you sell it to?

Mr. PALMER. It could be turned over to the salvage board; it belonged to the Government and it could be turned over to the salvage board, unless we could turn it over to the contractor, and give it to him instead of the money.

Mr. GRAHAM. If you did not sell to the contractor you had to turn it over to the salvage board, did you?

Mr. PALMER. Absolutely.

Mr. GRAHAM. Then you had only one of two choices?

Mr. PALMER. Yes; if you will read my letter there.

Mr. GRAHAM. Yes; I have read it several times, but I want an explanation as you go along. Let us take this letter.

The whole letter can go into the record at this place.

(The letter referred to is as follows:)

ORDNANCE DEPARTMENT, UNITED STATES ARMY,
DIVISION OFFICE AT 155 EAST SUPERIOR STREET,
September 22, 1919.

From: Mr. J. H. Palmer, manager of staff.

To: Chicago District Claims Board.

Subject: Data secured pertaining to materials at Standard Steel Car Co. and report thereon.

1. At the time the Standard Steel Car Co. claims were being discussed by the different members of the claims board, it was suggested that for obvious reasons we endeavor to get the Standard Steel Car Co. to bid on all materials in connection with their salvage offer for buildings and equipment. This suggestion was accepted and I was instructed to supervise the accumulation of data pertaining to same and to use as many men as necessary to do this work. This work has only been partly completed, as it was found that a large force of auditors were at work on the inventory at the plant and the data that seemed necessary was difficult to obtain. However, a rough estimate of such materials was obtained, as follows:

Direct raw materials.....	\$3, 000, 000
Component parts.....	1, 500, 000
Indirect materials.....	500, 000
	<hr/> 5, 000, 000

2. I was directed to obtain prices on this material so that the claims board would have a line on the salvage value of the same. During my absence on trip to Minneapolis and Stillwater, Minn., the matter of acquiring information was put in the hands of Mr. Vall. He asked the firm of Briggs & Turivas to visit the Standard Steel Car Co. and after looking over the material to make a bid on same, which they did, and furnished the claims board with a written proposal on September 19, copy of which is attached. During a telephone conversation between Mr. Parker, of Briggs & Turivas Co., and myself, Col. Arison also being in on the line, the bid on component parts was discussed, which apparently was not brought out clearly in their written offer, so they agreed to write another letter of proposal going more into detail. This letter was duly received on Saturday, April 20, copy of which is attached.

3. It will be noted from their proposal of April 20 that they offer 15 per cent of the invoice cost price per pound to the Government for all direct raw materials and indirect materials, which are estimated as amounting to the following:

Direct raw materials, \$3,000,000, 15 per cent.....	\$450, 000
Indirect materials, \$500,000, 15 per cent.....	75, 000
	<hr/> 525, 000

Their offer as outlined in their letter of April 20 for component parts, the machine work on which would be of no value to anyone, seems fair and should result in at least a return to the Government of \$125,000 to \$150,000 in addition to the above amount of \$525,000.

4. Inasmuch as our men from this office and also those at the Standard Steel Car Co. plant state that there are 175 tons of brass scrap on which alone at 11 cents per pound as offered by Briggs & Turivas would bring \$38,500, and also a lot of lumber which our Mr. Slayton represents as being easily worth \$25,000, from these two items it can be readily realized what the result of the sale of component parts would be under the proposition on a miscellaneous tonnage price basis as made by Briggs & Turivas.

5. The result from the sale of this material by the acceptance of such a proposal should net the Government \$650,000 to \$675,000 in addition to being relieved of the storage charges and handling of the material which was included in Briggs & Turivas's proposal.

6. I have no interest in who shall obtain the material other than to obtain the greatest possible cash return to the Government, and inasmuch as the Standard Steel Car Co. offer approximately 4 per cent as against 15 per cent received from the first and only bidder, I can not see why such a low bid should be even considered, and if the claims board are unable to make sale to the Briggs & Turivas Co., owing to the rulings of the United States Government, and the claims board are unable to secure an equivalent bid from the Standard Steel Car Co., it would be quite possible for the salvage board to secure these prices by advertising for open bids.

J. H. PALMER *Manager of Staff.*

Mr. GRAHAM. In your closing paragraph of this letter you say this: "I have no interest in who shall obtain the material, other than to obtain the greatest possible cash return to the Government, and inasmuch as the Standard Steel Car Co. offer approximately 4 per

cent as against 15 per cent received from the first and only bidder. I can not see why such a low bid should be even considered, and if the claims board are unable to make sale to the Briggs & Turivas Co., owing to the rulings of the United States Government, and the claims board are unable to secure an equivalent bid from the Standard Steel Car Co., it would be quite possible for the salvage board to secure these prices by advertising for open bids."

Now, was that your judgment?

Mr. PALMER. That is outlining what I have said here, that I thought the salvage board could obtain a good price for it. In other words, the price that was offered by these people to us.

Mr. GRAHAM. Now, this recommendation was made on the 22d of September to the Chicago district claims board?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. Do you know whether this letter of yours, Mr. Palmer, was received by the board prior to the time that they met at Hammond and had their final meeting?

Mr. PALMER. Yes, sir; I think so.

Mr. GRAHAM. Did any of them ever speak to you about that letter?

Mr. PALMER. I never met any of them; I had no connection whatsoever with the case, only that when this was brought to my attention here and having seen the letter that I wrote, that letter of mine. The only reason why I would not be more interested or would not have been at that time was that this bid that we got from these other people was simply to gauge what the materials were worth to some outside party, knowing that we could not sell it to them; we could not sell it to Briggs & Turivas, or any other company, unless we got some special ruling.

Mr. GRAHAM. Well, could you have obtained authority from the Salvage Board or someone else to have sold it to someone outside?

Mr. PALMER. Well, that is what I had in mind; if we got that authority, it would be all right.

Mr. GRAHAM. You never did get it?

Mr. PALMER. No; we never did. All the deals automatically if we did not make it with the contractor, they have gone to the Salvage Board.

Mr. GRAHAM. In your settlement of claims here in the Chicago District have you ever turned anything over to the Salvage Board in all the claims?

Mr. PALMER. Why, yes; thousands and thousands of tons and dollars of stuff.

Mr. GRAHAM. There have been cases where the stuff has been turned over to the Salvage Board for sale?

Mr. PALMER. Oh, yes.

Mr. GRAHAM. And not to the contractor?

Mr. PALMER. Oh, yes; the contractors, unless they bid a reasonable price in our judgment, we turn it over to the Salvage Board.

Mr. GRAHAM. Well, you have to get an order to turn it over to the Salvage Board.

Mr. PALMER. No; it is cleared on the regular claims.

Mr. GRAHAM. Why couldn't you have turned this over to the Salvage Board?

Mr. PALMER. We could have, but it is our aim to sell everything we could to the contractor in the settlement of his claim, in the way of materials and equipment and everything else he had rather than to turn it over to the Salvage Board, when we can get a good price for it.

Mr. GRAHAM. Well, you don't think this was a good price, do you?

Mr. PALMER. Evidently not, from the letter there.

Mr. GRAHAM. Then why didn't you turn it over to the Salvage Board?

Mr. PALMER. I had no authority.

Mr. GRAHAM. But you had it in other cases, you say?

Mr. PALMER. Not personally; no.

Mr. GRAHAM. Who did do that?

Mr. PALMER. It came through our committees; the committee would investigate it just the same as we investigate all the claims.

Mr. GRAHAM. But you had no committee in this case?

Mr. PALMER. We had no committee in this case.

Mr. GRAHAM. Was it up to Col. Hughes, then, to recommend that this be turned over to the salvage board?

Mr. PALMER. It was up to Col. Hughes or the claims board at that time.

Mr. GRAHAM. Well, which, Mr. Palmer? We are anxious to get this right, now. In other cases the committee would recommend to turn the stuff over to the salvage board; in this case you did not do it, although it is apparent that it was not a good offer. Now, why wasn't it turned over to the salvage board?

Mr. PALMER. I think your question is pointed?

Mr. GRAHAM. Yes; it is.

Mr. PALMER. All of these were not turned over to the salvage board. We have sold lots of materials, increased facilities, and equipment, and everything to the contractor when we got a good price for it. When the committee recommended the acceptance of it, it had to go up to the claims board for discussion, and if the claims board acquiesced to it we sold it to the contractor; if they did not, we turned it back to the salvage board and the salvage board sold it.

Mr. GRAHAM. That don't get us anywhere.

Mr. PALMER. I don't get your point.

Mr. GRAHAM. Why wasn't this stuff turned over to the salvage board, if you know?

Mr. PALMER. Why, in the settlement of the claim I suppose they figured the terms of that, considering the different matters—one of the things was getting rid of the heavy expense down there.

Mr. GRAHAM. Do you know about that, or are you guessing at it?

Mr. PALMER. No; I don't know anything about it; only I know that is one of the points.

Mr. GRAHAM. The things we are trying to get at is what you know, Mr. Palmer. We have heard a lot of rumors about this and other cases, but we have got to base our findings on facts. Now, whose duty was it this particular case, no committee being in action on the claim, whose duty was it to recommend that it be turned over to the contractor or to the salvage board; who has the responsibility of that?

Mr. PALMER. The claims board itself is responsible for it.

Mr. GRAHAM. And they consisted of who?

Mr. PALMER. Col. Arison, Mr. Russell, and Col. Hughes.

Mr. GRAHAM. He was not a member of the board, was he?

Mr. PALMER. Col. Hughes was at that time, I believe, a member of the board, and Col. Clark was. Were you in on that [addressing question to Col. Clark]?

Col. CLARK. No.

Mr. GRAHAM. So that the claims board at that time were Col. Arison, Mr. Russell, and Col. Hughes?

Mr. PALMER. Col. Hughes, Col. Clark, and Maj. Duryea.

Mr. GRAHAM. Col. Clark said he was not.

Mr. PALMER. I was giving the whole claims board.

Mr. GRAHAM. How long have you been with this board, Mr. Palmer?

Mr. PALMER. With the claims board?

Mr. GRAHAM. Yes, sir.

Mr. PALMER. As acting chief or manager?

Mr. GRAHAM. Yes, sir.

Mr. PALMER. I think in December I was appointed manager.

Mr. GRAHAM. 1918?

Mr. PALMER. 1918.

Mr. GRAHAM. Prior to that were you in the Government service?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. In what capacity?

Mr. PALMER. As manager of plant facilities.

Mr. GRAHAM. At some plant?

Mr. PALMER. At this plant, for the Government here. Plant facilities is examining—making reports on all the plants for Government work.

Mr. GRAHAM. When did you go into the Government service?

Mr. PALMER. August 8, 1917.

Mr. GRAHAM. What was your business prior to that time?

Mr. PALMER. Rolling mill business—iron and steel.

Mr. GRAHAM. What company?

Mr. PALMER. American Rolling Mill Corporation.

Mr. GRAHAM. Were you an officer of that company?

Mr. PALMER. President of it.

Mr. GRAHAM. Where is the principal office of that company located?

Mr. PALMER. The offices—our business is sold out; it is all split up now.

Mr. GRAHAM. Where were you located, in Chicago?

Mr. PALMER. My general offices were here. I had a plant at Muncie, Ind., and one at Fort Wayne, Ind. and one at Muskegon.

Mr. GRAHAM. You were in the general rolling-mill business and trade?

Mr. PALMER. Yes, sir; making iron and steel bars.

Mr. GRAHAM. Do you know anything about this nickel plates that are out there at this plant?

Mr. PALMER. Nothing special.

Mr. GRAHAM. You know they are made; a composition?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. Do you know what they are used for; what they use that kind of sheet steel for?

Mr. PALMER. The plates; they use the plates in this gun work on the gun carriages.

Mr. GRAHAM. Do they ever use it for anything else, commercially?

Mr. PALMER. Why, it can not be used in the regular commercial business of boiler making, or anything like that. It is special steel, 2.75 or 3.25 nickel.

Mr. GRAHAM. Is that the same size of steel that is used by the Government in making shields for machine guns and tank armor and that sort of stuff?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. And the same sort of steel that is used for work on war vessels.

Mr. PALMER. Yes, sir.

Mr. GRAHAM. It is a very hard sort of steel that is particularly good for armor plate?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. Do you want to ask anything, Mr. Jefferis?

Mr. JEFFERIS. Mr. Palmer, this letter of yours of September 22, who did you deliver that to?

Mr. PALMER. Col. Arison and Col. Hughes were present; I do not remember who I handed it to, but I think it was Col. Arison.

Mr. JEFFERIS. Did he make any comment on it or anything at that time?

Mr. PALMER. I did not wait; I just handed it to him.

Mr. JEFFERIS. Did he answer it in any way afterwards to you?

Mr. PALMER. Pardon me, now; I want to go back; there are two letters. I called attention to two letters, and the first letter was not sufficient to base a bid on. In other words, it sort of evaded a number of questions in there, regarding the different items that were not explicit.

Mr. GARRETT. You are referring to the Briggs & Tarvais letter?

Mr. PALMER. Yes, sir; and then when the first letter was delivered they argued it back and forth in reference to the bids on the different parts of the different materials. There was a question about component parts that arose, as to what offer they would make on those, as to the 15 per cent on the cost of the component parts or 15 per cent on the material that was in the component parts; 15 per cent on the component parts themselves would have been a very unreasonable proposition because there might have been a hundred tons of steel and a thousand dollars' worth of work done on them, so we called up Briggs & Turivas to write another letter or tell us about it, and that other letter came the next day.

Mr. GARRETT. Is that the one that Mr. Graham has just read to you here?

Mr. PALMER. No; that is my letter. The other is attached to that.

Mr. GRAHAM. Yes; they are both here. It might be advisable to put the two Briggs & Turvais letters in.

Mr. GARRETT. They are both in by Mr. Reagan.

Mr. JEFFERIS. What was this argument, then, that you had about the first letter, or with whom did you have it?

Mr. PALMER. I might be mistaken; it might have been just a talk and not an argument. They went over the different prices.

Mr. JEFFERIS. You say, "they"; who?

Mr. PALMER. Col. Arison and Col. Hughes at that time I believe were present, and we were talking about their bid, and at that time they were not certain whether these people really were conversant with the material they were bidding on, and this component part proposition came up, and we asked them for another letter, which is the last letter there, bidding on the component parts.

Mr. GRAHAM. Well, that was the different parts that would go into this carriage?

Mr. PALMER. Yes; the component parts that are made on the outside by subcontractors.

Mr. GRAHAM. And they were parts that were planned and devised and manufactured for specific purposes in the making of these carriages?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. And the labor was complete on them?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. And the material was complete in so far as the parts were concerned?

Mr. PALMER. Well, a number of the parts were partially completed, component parts. Possibly some of the work would have to be done there at the Standard Steel Car Co. plant, but they are component parts, completed and partly completed.

Mr. JEFFERIS. Who composes or what men compose the salvage board here at Chicago?

Mr. PALMER. Well, the salvage board at that time was headed by Maj. Norton.

Mr. JEFFERIS. How big a board did he have?

Mr. PALMER. Well, he was the chairman of the salvage board. I do not think he had anybody else with him particularly, only his clerks.

Mr. JEFFERIS. Was he consulted in any way by anyone to your knowledge as to the salvage of the increased facilities, consisting of machinery located down in the Standard Steel Car Co.'s factory, and the component parts?

Mr. PALMER. Not to my knowledge; no.

Mr. JEFFERIS. In other words, there wasn't anything done so far as you know to ascertain from Col. Norton his ideas as to the fact of whether or not the Government would have use for them at the Watertown Arsenal or other places in the future in completing such carriages?

Mr. PALMER. Well, that matter was taken up previous to this sale.

Mr. JEFFERIS. With whom, now?

Mr. PALMER. Well, now that is just simply——

Mr. JEFFERIS (interposing). Just answer my question, and we will get to the other afterwards.

Mr. PALMER. As I understand, it was taken up. I have no knowledge who it was taken up with, or——

Mr. JEFFERIS (interposing). You answered about Col. Norton; did you take it up with him in any way?

Mr. PALMER. No, sir; I did not.

Mr. JEFFERIS. Now, you say you understand that it was taken up with somebody before the settlement was made.

Mr. PALMER. You mean with the salvage board?

Mr. JEFFERIS. No; you were talking about some up-in-the-air proposition; who was it?

Mr. PALMER. I say we took it up because we shipped some of the material to the different arsenals.

Mr. JEFFERIS. Who was it; where did you go; how did you get it up?

Mr. PALMER. The only way I could do is through the Standard Steel Car Co. You know I have a good many other things. I can not point to any one thing. Mr. Vail was in charge at the time as production officer with Mr. Church, and they came to my office from time to time.

Mr. JEFFERIS. Yes; we know that. Now, did you hear anybody talk about whether this stuff should be shipped to Watertown Arsenal or be sold?

Mr. PALMER. Only what Mr. Vail and Mr. Church may have said in my office, which was not specific.

Mr. JEFFERIS. What did they say?

Mr. PALMER. Nothing specific, I say. I can not recall any one item about it. All I recall is they did ship a part of the material, and anything that the arsenal would want, why, they would give to them or send over to them.

Mr. JEFFERIS. Well, was there anybody in the claims board or especially appointed from the Ordnance Department, or anybody, so far as you know, took up the subject whether or not the Government should not keep all of those component parts, all of this vast machinery, and to place it in these different arsenals, Rock Island or Watertown, and thus save to the Government all those machines and those component parts that had been manufactured at such expense for those carriages, or was all that left to Col. Hughes?

Mr. PALMER. Well, that was not all left to Col. Hughes; it was up to Vail and Church and anybody that was down at the plant that had charge of that to see that the arsenals were advised, and the arsenals knew it was there because it was all Government-owned material.

Mr. JEFFERIS. Well, those arsenal plants, are they at the head of the Ordnance Department?

Mr. PALMER. Oh, no; a separate institution entirely.

Mr. JEFFERIS. What I am trying to get is whether there was any head of an organization that took a survey of this stuff and said, "We will take this stuff that has been left at such cost and these machines that were got at such cost and reserve them for future use of the Government," or anything of that kind?

Mr. PALMER. They had finished a certain number of machines——

Mr. JEFFERIS (interposing). I know that.

Mr. PALMER. I know; but that is all they wanted after they had finished all the spare parts that happened to be at the plants.

Mr. JEFFERIS. I understand that we got the 200 machines.

Mr. PALMER. Yes; and the spare parts.

Mr. JEFFERIS. Now, why not keep the machines for use in the future? Did anybody pass on that at all?

Mr. PALMER. As I told you, that was undoubtedly passed on——

Mr. JEFFERIS (interposing). By whom?

Mr. PALMER. By Mr. Vail and the committee down at the plant.

Mr. JEFFERIS. Well, you do not think Mr. Vail had any real knowledge as to the equipment, etc., in other parts of the country, other than at Hammond?

Mr. PALMER. Oh, no; but the Government had a list of everything there, and if they wanted it they would send officers there to collect it, which was done with a part of the stuff, part of the materials.

Mr. JEFFERIS. When would they have done that?

Mr. PALMER. During or after the war, as soon as these contracts were suspended.

Mr. JEFFERIS. As a matter of fact, they did not have very much of it made then, did they?

Mr. PALMER. Well, I don't know how many they had made.

Mr. JEFFERIS. Well, they had one made on the 28th of November, I think it was.

Mr. PALMER. Well, they were not suspended then. They continued, didn't they, up to 200?

Mr. JEFFERIS. That is what I said.

Mr. PALMER. But when they got through; when the order was canceled they had to report on all this material—Government-owned material was turned over to the authorities.

Mr. JEFFERIS. What I am trying to get at is who decided that we should sell all of this machinery and all of those component parts and all of this material to the Standard Steel Car Co. at this large sum of \$900,000, rather than take it—the Government itself—either as salvage and then on to the arsenals, or else sell it; who decided that question?

Mr. PALMER. On this one claim here?

Mr. JEFFERIS. Yes, sir.

Mr. PALMER. The Chicago district claims board.

Mr. JEFFERIS. Now, was there any official meeting—regular meeting called?

Mr. PALMER. Oh, they had a regular meeting, undoubtedly.

Mr. JEFFERIS. Now, do you know?

Mr. PALMER. Yes, sir.

Mr. JEFFERIS. Was you there?

Mr. PALMER. No, sir; I did not attend any of them.

Mr. JEFFERIS. Then you do not know of your own personal knowledge whether they did?

Mr. PALMER. I know they must have a meeting in every case.

Mr. JEFFERIS. I know there is a lot of "must," and sometimes they do not do as they must, you know; you do not know of your own personal knowledge?

Mr. PALMER. I was not there; no, sir.

Mr. JEFFERIS. You were not down at Hammond at the meeting when the representatives came out from Washington?

Mr. PALMER. No, sir.

Mr. JEFFERIS. Nor you were not at the meeting on the morning that this particular award was made?

Mr. PALMER. No, sir.

Mr. JEFFERIS. You did not have any knowledge, I suppose, Mr. Palmer, whether or not the Standard Steel Car Co. did, as a matter of fact, turn over material to the Watertown Arsenal, and Rock Island, on such requisitions as they did make, do you?

Mr. PALMER. I am not conversant with that.

Mr. JEFFERIS. Now, at the time this claim was turned over to Col. Hughes by the claims board, was there any record of that transaction made by the claims board at the time or not?

Mr. PALMER. You mean, if they did officially turn it over to him at that time?

Mr. JEFFERIS. Yes; did they keep any record when those things are done?

Mr. PALMER. They just turned over to him, is all.

Mr. JEFFERIS. In other words, different members of the claims board, you think, just told Col. Hughes to take charge of that?

Mr. PALMER. They said Col. Hughes would be a good man to take charge of that, and he accepted the responsibility and took the claim.

Mr. JEFFERIS. Do you know about when that was?

Mr. PALMER. I could not tell you exactly the date of that; it was several months ago; two months ago, I should imagine.

Mr. JEFFERIS. When you would appoint a committee in the regular channel of handling these claims, would they consult the cost accountant of the Government in any way about anything?

Mr. PALMER. Yes, sir; sure.

Mr. JEFFERIS. Would they consult the inventories in any way about anything, do you know?

Mr. PALMER. They had investigators; they have certain committees and investigators, and an auditor; they turned it over to the auditing department at the time they wanted it audited; they turned over to the investigator to investigate it.

Mr. JEFFERIS. That was the regular and usual method?

Mr. PALMER. That was the method.

Mr. JEFFERIS. So that the committee that you would select to investigate a claim after it was turned over to the claims board would endeavor to utilize the cost accounting section of the Government or inspecting section—

Mr. PALMER (interposing). The investigating—

Mr. JEFFERIS (interposing). Or the investigating section, and to get all the knowledge that was obtainable from Government agents or officials in order to protect the Government?

Mr. PALMER. That was the usual procedure.

Mr. JEFFERIS. I think that is all.

Mr. GRAHAM. Mr. Garrett, do you want to ask any questions?

Mr. GARRETT. I want to get first, to see if I have the right impression with reference to your relation to these claims. You say you are the manager of the staff; now, the functions of the staff are just what?

Mr. PALMER. To prepare and investigate claims and have them ready for the claims board.

Mr. GARRETT. In other words, a claim is filed with the district claims board; it is by the district claims board referred to the staff or transmitted in some way?

Mr. PALMER. It comes in—the procedure, you know, the whole office is the Chicago district claims board.

Mr. GARRETT. Yes; of course, it would be delivered there to the recording clerk?

Mr. PALMER. And then passed to me, and then passed over to the right committee.

Mr. GARRETT. Now, this particular claim of the Standard Steel Car Co. was filed in the regular way?

Mr. PALMER. Yes, sir.

Mr. GARRETT. And it reached your desk as manager of the staff?

Mr. PALMER. Yes, sir.

Mr. GARRETT. And you say that it lay on your desk for perhaps two weeks?

Mr. PALMER. Yes, sir.

Mr. GARRETT. And did you state just now that it was probably two months ago that it reached you?

Mr. PALMER. I could not state exactly the time; probably two or three months ago; directly after the time Col. Hughes came here.

Mr. GARRETT. Do you remember the gross amount of it when it reached you?

Mr. PALMER. Well, I do not.

Mr. GARRETT. Was it in the form it is now? I indicate now the two large volumes bound in leather?

Mr. PALMER. That is right; yes, sir.

Mr. GARRETT. I judge from your letter that you received instructions from some one to make some investigation in regard to the salvage?

Mr. PALMER. Yes, sir.

Mr. GARRETT. I read here, you say: "I was directed to obtain prices on this material, so that the claims board would have a line on the salvage value of the same," and during a trip which you made to Minneapolis and Stillwater you referred the matter to Mr. Vail?

Mr. PALMER. Yes, sir.

Mr. GARRETT. Do you remember who it was that directed you to obtain these prices?

Mr. PALMER. Col. Arison, I believe.

Mr. GARRETT. Did you go to any others than Briggs & Turvais?

Mr. PALMER. I did not go to them.

Mr. GARRETT. Oh, you did not go to them; you turned that over to Mr. Vail?

Mr. PALMER. I did not go to them.

Mr. GARRETT. And he attended to it entirely?

Mr. PALMER. Yes, sir.

Mr. GARRETT. You yourself were absent and gave no personal service in that regard?

Mr. PALMER. No, sir.

Mr. GARRETT. Now, were you asked to do anything about any other items of the claims except the salvage?

Mr. PALMER. That is all.

Mr. GARRETT. This Briggs & Turvais bid was not upon any machines in the shop, was it?

Mr. PALMER. No; just upon the material, as I understand; that was all they were asked to bid on by Mr. Vail. That is shown by that letter of theirs.

Mr. GARRETT. I was anxious to get your interpretation of their letter in that respect.

Mr. PALMER. Yes, sir.

Mr. GARRETT. I suppose, however, the bid was on some tools; small tools?

Mr. PALMER. Why, on the indirect and direct materials and component parts.

Mr. GARRETT. And that would have included some tools, such as wrenches?

Mr. PALMER. Indirect materials would be included, wrenches, and such as that; yes, sir.

Mr. GARRETT. Did Col. Hughes or Col. Arison subsequent to the receipt of your letter and prior to the making of the award discuss your recommendation with you at any length; that is, your recommendation that it be turned over to the salvage board if they could not get a better offer than this 4 per cent?

Mr. PALMER. Why, they possibly did, but not in my presence.

Mr. GARRETT. Well, I asked if they discussed it with you?

Mr. PALMER. Well, now, come again on that.

Mr. GARRETT. Well, subsequent to the receipt of your letter of September 22, which has been placed in the record, did Col. Hughes and Col. Arison, or either of them, or anyone else connected with the Claims Board discuss the subject matter of this letter?

Mr. PALMER. No; it was previous to the letter.

Mr. GARRETT. Previous to the letter?

Mr. PALMER. Yes, sir.

Mr. GARRETT. Did they, after the award was made, either of them give you any reason as to why your recommendation in that respect was disregarded?

Mr. PALMER. I do not think they discussed it at all, because I was busy with other work.

Mr. GARRETT. I take it you did not discuss this matter with either Col. Reeves or Col. McFarland?

Mr. PALMER. I did not see them; I did not meet the gentlemen at all.

Mr. GARRETT. When the name of Col. Hughes was suggested as a proper person to negotiate this settlement, was there any suggestion that the fact that he had signed procurement order in connection with it originally rendered him an undesirable man for that?

Mr. PALMER. I know nothing about such.

Mr. GARRETT. You knew nothing about that?

Mr. PALMER. No; I knew nothing about it.

Mr. GARRETT. Do you know whether that sheet metal that is down there, this 2.50 and 2.75 nickel, I believe, you stated, whether that is the character that is used for armor plate on vessels?

Mr. PALMER. Yes, sir.

Mr. GARRETT. Are those sheets down there adaptable to that?

Mr. PALMER. Too light.

Mr. GARRETT. You mean not thick enough?

Mr. PALMER. Not thick enough and too light altogether.

Mr. GARRETT. Would it be adaptable to tank work?

Mr. PALMER. No, sir.

Mr. GARRETT. Why?

Mr. PALMER. Because it could not be used for tank work; it is not regular open-hearth steel sheets used regularly.

Mr. GARRETT. I understood you to say in answer to Mr. Graham, that it was the character of steel used on tanks?

Mr. PALMER. No; not in the regular tanks; I am talking of the gun stuff.

Mr. GRAHAM. I meant gun tanks?

Mr. PALMER. Yes; they could use it on tanks; tractor gun tanks.

Mr. GRAHAM. That is what I meant.

Mr. PALMER. Yes; that is what they were using it on; whether that size or the thickness would apply to that, I don't know, because I don't know the size of the sheets down there.

Mr. GARRETT. You have never really seen that material or paid any attention to it?

Mr. PALMER. I walked by there once, but never gave it any special attention. You see, that material, if you will allow me, as I saw it, in the first place had been cut to shop size; a lot of it had been irregular and could not be used in regular business unless somebody could find a special use for it. In parts of it, ends were cut off.

Mr. GARRETT. Now, are you referring to the sheet metal?

Mr. PALMER. The plates?

Mr. GARRETT. The plates?

Mr. PALMER. Yes; of course, some plates were in regular size, but the general run of it had been cut or bored or drilled and could not be handled as standard stuff. A lot of it is standard material.

Mr. GARRETT. Do you know anything about the making of machine-gun shields; know whether that material down there could be used for that?

Mr. PALMER. No; I don't. I know that they use such material, but I would not know whether the thickness or the analysis of it is proper.

Mr. GARRETT. Well, going back for a moment, all that you have to do then with this claim was to cause Mr. Vail to communicate with Briggs & Turvais on—

Mr. PALMER (interposing). Yes; I did not name anybody that should—I did not appoint Mr. Vail at all; while I was absent Mr. Vail was appointed to do that work. I did not appoint him.

Mr. GARRETT. But he was appointed?

Mr. PALMER. This letter came to me over my desk.

Mr. GARRETT. And you inquired of Mr. Vail what had been done?

Mr. PALMER. Yes.

Mr. GARRETT. You mean the letter from Briggs & Turvais?

Mr. PALMER. Yes; that letter came to me in the regular course of business, and I went in and showed the board what offer had been made.

Mr. GARRETT. You stated that Vail had made some investigations?

Mr. PALMER. Yes, sir.

Mr. GARRETT. Did Vail ever talk to you about it?

Mr. PALMER. Yes, sir.

Mr. GARRETT. He told you what he had—

Mr. PALMER (interposing). Yes; that he could have Briggs & Turvais go over there and bid on that stuff.

Mr. GARRETT. Have you stated now all that you had to do with any parts of this claim?

Mr. PALMER. Yes, sir.

Mr. GARRETT. That is all.

Mr. GRAHAM. You do not know, Mr. Palmer, how much of that material was cut up into irregular pieces, do you?

Mr. PALMER. No; I could not tell.

Mr. GRAHAM. And what you are telling us here is simply what you have heard in a general way?

Mr. PALMER. No; what I have seen. I walked through there.

Mr. GRAHAM. Have you seen it since the armistice?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. Have you seen it since the contract was finished?

Mr. PALMER. Yes, sir.

Mr. GRAHAM. Well, it appeared to this committee as we inspected it, it is in its original condition?

Mr. PALMER. It is not in the original condition.

Mr. GRAHAM. It is stacked up in sheds, and these sheds seem to be a portion of the whole mass of steel that is there. Did you observe it that way?

Mr. PALMER. I looked at it from the end when I was down there a month or two ago, just casually, that the bulk of it would have to be sold for special material, and find a customer that had special use for it, or it would have to be sold for scrap iron.

Mr. GRAHAM. That is all, Mr. Palmer.

**TESTIMONY OF MR. NELS B. LARSON, ASSISTANT ARMY
INSPECTOR OF ORDNANCE, HAMMOND, IND.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name?

Mr. LARSON. Nels B. Larson.

Mr. GRAHAM. Where do you live?

Mr. LARSON. My home is in Chicago, but the past two years I have been in Hammond, near the work.

Mr. GRAHAM. What is your business?

Mr. LARSON. Before August 1, while Maj. Bayliss was in charge, I was chief clerk and office manager, and when Maj. Brock succeeded him I was at the plant as assistant Army inspector of the ordnance.

Mr. GRAHAM. Are you still at the plant?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. How long have you been there altogether?

Mr. LARSON. Since December 27, 1917.

Mr. GRAHAM. During that time have you had full knowledge of all the conditions that existed out there from time to time?

Mr. LARSON. Yes, sir; so far as the inspection division was concerned.

Mr. GRAHAM. Your work all the time was that of an inspector?

Mr. LARSON. No, sir; handling office routine and the mail matters in the inspection division.

Mr. GRAHAM. Oh! You were doing clerical work?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. Were you out in the shop very much?

Mr. LARSON. Special trips now and then; a few trips a week in the shop for some purpose or other.

Mr. GRAHAM. Now, you are acquainted with this final award that was made, or the award that was made by the Chicago District Claims Board in this case?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. When requisitions came in from the United States arsenals for any of the materials at that plant, to whom did they come?

Mr. LARSON. To the inspector of ordnance.

Mr. GRAHAM. Did you have anything to do with that?

Mr. LARSON. Yes, sir; and they were in turn transmitted to the Standard Steel Car Co., informing them that the Government desired such material.

Mr. GRAHAM. Up to the time that this claim was settled were there any requisitions came in to you from the United States for material at that plant?

Mr. LARSON. Yes, sir; we received one this morning from Watertown Arsenal.

Mr. GRAHAM. Do you have it with you?

Mr. LARSON. I have it right here; yes, sir.

Mr. GRAHAM. What does it ask for?

Mr. LARSON. One broaching machine, United States No. 56, with gang shaft and broaches and other available equipment, for shipment to Ordnance School of Technology, Watertown Arsenal. This order bearing serial number OA234, and issued by the administration division in Washington—the administration division of the Artillery division.

Mr. GRAHAM. Up to the time that this claim was settled were there any requisitions came in to you from arsenals of the United States for material at that plant?

Mr. LARSON. Yes, sir; several.

Mr. GRAHAM. Well, do you have them with you?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. Can you give us in a general way about the date and the amount of material that they wanted, and what sort of material it was? Without going into specific details, give us a general résumé now of the requisitions that were made by the arsenals on that plant before this claim was settled?

Mr. LARSON. Watertown Arsenal requested all the jigs, tools, fixtures, and patterns which the Standard Steel Car Co. were informed, on August 6, that were desired by the Watertown Arsenal.

Mr. GRAHAM. Was that all the jigs and dies that were there?

Mr. LARSON. And fixtures and gauges.

Mr. GRAHAM. What does fixtures mean?

Mr. LARSON. I am not a technical man and do not quite appreciate the interpretation of the word. The technical matters have been submitted to Mr. Cook, who was the technical man and familiar with the shop there.

Mr. GRAHAM. What did you find out from the Standard Steel Car Co. when that requisition was submitted?

Mr. LARSON. They apparently ignored it, and they were written the second time and asked what they intended to do about it.

Mr. GRAHAM. When did you write that?

Mr. LARSON. On October 2; they were written the first time on August 6, 1919, and no reply was received and they were written again on October 2 and no reply was received.

Mr. GRAHAM. In those requisitions did you specifically request those things?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. You got no answer to either one of them?

Mr. LARSON. To the first one; to the second one we received a letter asking that we submit a statement through Mr. Clifford, but no direct answer what they proposed to do about it.

Mr. GRAHAM. Did you submit such statements?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. When was that submitted?

Mr. LARSON. October 6; that is, Mr. Jenks replied to our letter under date of October 2, and we replied when we had such statement; it involved 31 pages of single-space typing.

Mr. GRAHAM. Do you know of any other requisitions by arsenals?

Mr. LARSON. Yes, sir; indirect material from the Watertown Arsenal, a value placed on it of a quarter of a million dollars.

Mr. GRAHAM. When was that submitted?

Mr. LARSON. For some unaccountable reason that was not submitted to the Standard Steel Car Co., and it was put through the man who has now charge of the service, who was assistant inspector at that time, Mr. Krentzberg by name, and was not detected or discovered until some time afterwards, was presented to the claims board on the day they were at Hammond to negotiate settlement, on September 25, and so far as I could see no attention was given to the statement at that time.

Mr. GRAHAM. Who submitted it to the claims board?

Mr. LARSON. I; after lunch I did not know they were in session until probably three-quarters of an hour after they had started, and I promptly went down there with those statements and turned them over to Mr. Church, and at the appropriate time they were submitted to Col. Reeves, and Col. McFarland also looked over them, and request was made at that time that necessary reservations be made in the award so that those parts to the arsenal, as well as the replacement parts, on which we had not received from the arsenal.

Mr. GRAHAM. Who made that request?

Mr. LARSON. I made the request for the production division.

Mr. GRAHAM. Was a reservation put in?

Mr. LARSON. In paragraph 3—

Mr. GRAHAM (interposing). In paragraph 3?

Mr. LARSON. No, sir.

Mr. GRAHAM. Paragraph 3 says:

The United States shall have the right of requisition from said property on hand and not sold at the time of requisition for spares for the Watertown arsenal but there shall be no obligation on the part of the claimant to hold any of said company in anticipation of such requisition.

Now, that was put into the award, wasn't it?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. Did you know at that time that Schedule B was attached to this award which states:

All facilities including buildings and structures, machinery, equipment, direct material, raw material, indirect material, and material in process, and all property of whatsoever nature involved in contract No. C. F. 331 and not delivered to or requisitioned by the United States on this date, September 26, 1919.

Mr. LARSON. No, sir; I did not know about it.

Mr. GRAHAM. How did that language get in there?

Mr. LARSON. The meeting was held September 25 in Hammond, and there was no minutes recorded that took place, but this award was written in the Chicago office the following day at which a limited number of parties were present, I understand, and I did not know

that was in it until I secured a copy of that award, which is probably third-handed.

Mr. GRAHAM. If the language had stood as in paragraph 3 of the award itself it probably would have covered this, wouldn't it?

Mr. LARSON. It would have protected the Government, because that language abrogates that part of the agreement.

Mr. GRAHAM. And makes it necessary to have the requisitions filed prior to September 26?

Mr. LARSON. Yes; but it was our understanding that it was to expire on the 1st of October. I got it verbally.

Mr. GRAHAM. How did you get it verbally?

Mr. LARSON. From Mr. Church.

Mr. GRAHAM. He told you that, did he?

Mr. LARSON. Yes; he told me that it was definite, because Watertown might draw material for six months.

Mr. GRAHAM. When did Mr. Church tell you that?

Mr. LARSON. On the evening of September 26, at the hotel.

Mr. GRAHAM. He said that he would attend to that?

Mr. LARSON. No; he said that he had made the request of the claims board that the limit be set to October 1.

Mr. GRAHAM. Now, do you know whether these arsenals of the United States are calling for or wanting any of that material out there or not?

Mr. LARSON. Yes, sir; Watertown has made requests for building 11, a building of 600 foot extension to the building that was already there, a 600-foot building already there, making a building 1,200 feet long by 280 feet wide, which the Government bore its proportion of expense on building. I think the original appropriation was \$750,000, and I believe it was later increased.

Mr. GRAHAM. You say the arsenal was wanting that building?

Mr. LARSON. Watertown Arsenal would like the Government section of that building.

Mr. GRAHAM. Do you mean to move it?

Mr. LARSON. No, sir; dismantle it and move it to Watertown Arsenal.

Mr. GRAHAM. They need the construction materials, do they?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. How about the machines and fixtures in it?

Mr. LARSON. They have already made requisitions for the fixtures.

Mr. GRAHAM. Including the material and machines?

Mr. LARSON. Not all of them; they submitted a list of what they wanted, and that was turned over to the Standard Steel Car Co.

Mr. GRAHAM. When was that done?

Mr. LARSON. I have not the exact date here, but some time in August, and it was understood that they had the first option on all facilities at the plant?

Mr. GRAHAM. Who were to have?

Mr. LARSON. The Standard Steel Car Co. were to have option to purchase if they desired all facilities at the plant before the Government could tear it out.

Mr. GRAHAM. Where did you get that information?

Mr. LARSON. From Mr. Vail, which he said it was the procedure outlined at the Chicago claims board.

Mr. GRAHAM. When did Mr. Vail tell you that?

Mr. LARSON. At that time; it was along in August.

Mr. GRAHAM. Had you gone to Vail and asked him about this material that the Government wanted?

Mr. LARSON. I went to him and Mr. Church and showed him the material. The proceeding is for us to get it from the Chicago office, and we submit it to the Standard Steel Car Co. and giving them the option to buy it if they care for it, and if they do not want it they say so and then this material is for shipment. That statement as modified by the Standard Steel Car Co. would be to send to Chicago for things released from the claim, and they in turn would submit it to the property manager and he would drop the items from his property record.

Mr. GRAHAM. And was that done?

Mr. LARSON. And after going through it was returned to us and we started to ship out in accordance with the modified statement which was returned by the Standard Steel Car Co.

Mr. GRAHAM. Did it go through those channels?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. Did they modify it?

Mr. LARSON. The Standard Steel Car Co. modified it.

Mr. GRAHAM. In what respect?

Mr. LARSON. They simply sent a new statement and said, "These are the machines we will ship to the Watertown arsenal."

Mr. GRAHAM. Was that before the settlement of the claim?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. What machines were they they said they would ship?

Mr. LARSON. I have a list of them here.

Mr. GRAHAM. Have you the reply of the Standard Steel Car Co. to that request?

Mr. LARSON. No, sir; I do not believe I have it here.

Mr. GRAHAM. You have the list they said they would ship?

Mr. LARSON. I have the list they said they would ship; and the same thing applies to the Rock Island arsenal. I have also, I believe, other papers here with Mr. Jenks's or the Standard Steel Car Co. reply. And after first shipping the original list of Rock Island machinery requirements they came along, probably a month after, or some time in September and made a second revision and said there were more machines on that list they desired to retain, after already sending some forward to the Rock Island arsenal.

Mr. GRAHAM. You have that correspondence?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. I think you had better put that all in the correspondence with the Standard Steel Car Co. about the arsenal requisitions and their answers. You can pick them out and give them to the reporter later.

Mr. GARRETT. Including what was requisitioned and what they gave.

Mr. GRAHAM. Yes; your requisitions and their replies, including the second reply you have mentioned. In fact, we want full information about that subject.

(In response to this request, Mr. Larson afterwards turned over to the reporter the following letters and data, which are here printed in full:)

SEPTEMBER 4, 1919.

GENERAL MANAGER OF ORDNANCE STANDARD STEEL CAR CO.,

Hammond, Ind.

DEAR SIR: Re shipment of machine tools to Rock Island Arsenal.

1. Am attaching herewith list of machines and equipment desired by Rock Island Arsenal, applying on shipping order Mc-2376, issued June 30, 1919.

2. This list of machinery was checked by your Mr. Corey, who stated that the Standard Steel Car Co. will waive the privilege of purchasing any of the items listed thereon and that it is agreeable that same should be released by the claims board for shipment to Rock Island Arsenal.

3. It is our understanding that machines enumerated on attached list have now been released by the claims board.

4. It is also our understanding that instructions have been issued to the salvage board through proper channels for the boxing and shipping of this machinery and equipment to Rock Island Arsenal.

5. You are advised that Mr. Painter, representing the salvage board, is now at this plant with a force of men employed under contract, who have received contract for the purpose of boxing and shipping all machinery.

6. It is also our understanding that the salvage board is authorized to proceed with the work of boxing and crating this machinery and that said action meets the requirements of accountability with your company.

7. This office hereby approves the action of the salvage board in handling the shipment as outlined, with the wish that said salvage board will work in harmony with the organization to the fullest extent.

8. It is our further understanding that contract let by the salvage board for shipment of machinery stipulates that all materials, such as lumber, nails, etc., are to be furnished by the Ordnance Department, hence this office will approve requisitions for any materials that may be required for the shipment. Am providing Mr. Clifford by carbon copy of this letter with two copies of the attached list of machinery and equipment on above shipping order, also sending him transportation order U. S. W. D. 53513, issued August 30, covering 40 cars required for the shipment of this machinery via Rock Island Railroad.

9. Government bills of lading will be provided in the usual manner for moving this shipment, and Mr. Clifford will be provided with tally sheet, signed by representative of the salvage board, which will serve as receipt for the machinery and equipment released.

Respectfully,

J. A. VAIL,

Chief Production Officer, Ordnance Department.

Copy to Mr. Clifford.

P. S.—In this connection I am sending you copy of letter of 3d instant from Capt. Whitmore, of the transportation section, pertaining to the transportation feature of this matter, which will be handled in this office as outlined above.

STANDARD STEEL CAR CO.,

ORDNANCE DEPARTMENT,

Hammond, Ind., September 13, 1919.

Mr. J. A. VAIL, C. P. O.,

Standard Steel Car Co., Hammond, Ind.

DEAR SIR: Referring to your letter of September 4 regarding shipment of machine tools to Rock Island Arsenal:

The list is correct, excepting that we do not at this time desire to release the following tools:

1 34-inch Barnes, regular equipped drill press, D-114.

3 Canedy Otto wall drills, D-50, D-53, D-56.

1 2-inch Landis pipe threader, X-155.

1 No. 300 Davis pressure generator, X-232.

1 Davis acetylene-gas generator, X-30.

The list of machine tools submitted by Rock Island Arsenal has been checked over, and releases can be made in accordance with the attached.

Very truly, yours,

P. G. JENKS,
General Manager of Ordnance.

P. S.—It will be noted that none of the machines required by Rock Island Arsenal have been shipped to vocational training schools.

P. G. J.

MACHINERY AND EQUIPMENT REQUISITIONED BY ROCK ISLAND ARSENAL ON S. O. MC-2876, NOT RELEASED BY STANDARD STEEL CAR CO.

- 1 34-inch Barnes regular equipped drill press, D-114.
- 3 Canedy Otto wall drills, D-50, 53, 56.
- 1 2-inch Landis pipe threader, X-155.
- 1 No. 300 Davis pressure generator, X-232.
- 1 Davis acetylene-gas generator, X-30.

MACHINERY AND EQUIPMENT REQUISITIONED BY ROCK ISLAND ARSENAL THAT STANDARD STEEL CO. HAVE RELEASED, BUT WHICH HAS NOT BEEN SHIPPED ON SHIPPING ORDER MC-2876.

- 1 John Barnes 20-inch drill, D-10.
- 3 Auto Transportation Co. type L trucks.
- 1 Auto Transportation Co. type T tractor.
- 8 small shop trucks.
- 2 plain revolving tables, 24 inches.
- 1 pump motor, No. 1491204, 220 volts, 2 horsepower, M-20.
- 1 bookbinder's cabinet.
- 3 blue-print file cabinets.
- 2 cupboards, 73 by 18 by 36.

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Machinery shipped to Rock Island Arsenal on S. O. MC-2376.

Description.	Quantity.	United States No.
Atlas Arbor press.....	1	X-9.
Do.....	1	X-10.
Do.....	1	X-25.
Do.....	1	X-26.
Band saw setting and filing machine.....	1	X-312.
Boye & Emmes lathe, 18 by 8.....	1	L-29.
Do.....	1	L-30.
American lathe.....	1	L-62.
Do.....	1	L-63.
Do.....	1	L-64.
Hendey lathe, 16 by 6.....	1	L-45.
Do.....	1	L-46.
Boye & Emmes lathe:		
20 by 10.....	1	L-47.
18 by 8.....	1	L-48.
Do.....	1	L-49.
Dodge & Shipley lathe, 20 by 8.....	1	L-54.
Do.....	1	L-77.
Do.....	1	L-78.
Mumers-Dickson portable grinder.....	1	N-345.
No. 11 Pawling & Harnischfeger horizontal boring machine.....	1	B-12.
Detrich & Harvey boring mill.....	1	B-8.
Do.....	1	B-9.
No. 19 Besley 53-inch bisk horizontal grinder.....	1	G-19.
Landis plain grinder:		
16 by 96.....	1	G-31.
30 by 96.....	1	G-32.
Beaman & Smith vertical mill.....	1	M-11.
Beaman & Smith miller, 2 vert. hds. horiz. head.....	1	M-2.
6-inch Valley City spec. head miller.....	1	M-79.
Do.....	1	M-83.
Model C Becker milling machine.....	1	M-96.
Do.....	1	M-97.
Do.....	1	M-98.
Cincinnati shapers, 24-inch.....	2	SH-14, 15.
12-inch Dill slotters.....	5	SL-3, 6, 8, 9, 10.
64 Newton 20-inch table compound slotter.....	1	ST-1.
18-inch Hermance slotters.....	2	ST-4, 5.
Cincinnati No. 3 milling machine.....	1	M-1.
No. 4 Cincinnati milling machines.....	4	M-36, 37, 38, 39.
48 by 48 by 10 feet Bement 2 ver. spdl. motor E-34.....	1	M-46.
No. 2 Cincinnati millers.....	2	M-16, 17.
No. 4 Cincinnati millers.....	1	M-80.
No. 6 Becker millers.....	6	M-71, 72, 73, 74, 75,
		76.
No. 4 Brown & Sharp millers.....	6	M-53, 53, 54, 55, 56.
B Becker with rotary attachment.....	1	M-56.
No. 4 B Brown & Sharpe milling machines.....	3	M-47, 48, 49.
Do.....	1	M-61.
No. 3 Kempsmith req. equipl. milling machine.....	1	M-78.
34-inch Barnes req. equipl. drill presses.....	1	D-115.
30 by 20 by 10 feet Ingersoll 4 head fixed rail miller.....	1	M-84.
No. 0 Fosdick horiz. speed box drive and reg. equipl. boring mills.....	2	B2, B3.
36 Bullard vertical reg. equipl. lathe.....	2	L-19, L-21.
42-inch Bullard vertical reg. equipl. lathe.....	4	L-50, 51, 52, 53.
18 by 18 American Engine extra taper attachment turn. lathe.....	1	L-65.
22-inch John Barnes back gears, gear power feed and auto stop drill presses.....	2	D-79, 80.
Thor No. 60 riveting hammers (116 shipped).....	120	
Thor No. C chipping hammers.....	39	
Thor No. E chipping hammers (1 shipped).....	2	
Thor No. C roller bearing air drills.....	34	
Thor No. D-3 roller bearing air drills.....	2	
Thor No. 8 close-quarter drills.....	10	
Thor No. 72 roller-bearing grinders.....	31	
Thor No. holder-on.....	19	
A-66 Hummer pneumatic drills.....	2	
1-ton Yale & Towne triplex hoists.....	3	
1-ton Yale & Towne triplex hoists.....	3	
No. 3 Canton portable crane and hoist.....	1	
No. 7 crane and hoist.....	1	
15-ton jacks.....	4	
7-ton jacks (1 shipped).....	2	
10-ton jacks (1 shipped).....	2	
2 by 12 jacks.....	2	
Oxygen regulators.....	16	
Acetylene regulators (6 shipped).....	8	
Air drill with old man.....	1	Nd-312
Detrich & Harvey boring mills.....	4	B-5, 6, 7, 10.

Mr. GRAHAM. Now, since this signing of the contract of settlement have you had any trouble with these people about getting material for these arsenals?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. Now, tell us what has been the trouble?

Mr. LARSON. In conference with Mr. Jenks, their general manager of ordnance, and Messrs. Vail and Church and several Standard Steel Car Co. officers, as well as myself, Mr. Jenks said he would not split hairs over items to be shipped to Watertown Arsenal; they would recognize their legitimate requisitions up to October 1. That meeting took place about September 28; so I wired to Watertown Arsenal after this meeting of September 25 of the advisory committee with the claims board that a settlement had been concluded, and that if Watertown wanted any additional materials on replacement they should submit all lists up to October 1, which they did. They sent a man here, Mr. Brauer, with several lists, and we worked there until the last of the month, September 30, to submit it on time, to make sure it was placed on Mr. Jenk's desk the close of September 30. He came back with several replies.

Mr. JEFFERIS. Who, Mr. Jenks?

Mr. LARSON. Yes, sir; saying that it was not available. There were four or five groups, saying that the material was not available, and their replies listed some they were willing to furnish, being probably one-tenth of what Watertown really required. In the case of rivets and cotters, he said it was too great, and should be cut to a much smaller amount. So I went to Mr. Vail with the matter; I believe it was in the Chicago office. So a complete letter was written for Mr. Vail, saying that the Production Division would cooperate to see that the requirements of Watertown Arsenal were protected, and after writing that we went back on each group and told the Standard Steel Car Co. that they should comply with the Watertown requirements, as Mr. Jenks had personally promised. And the next day he said those letters were curt, and he tore them up and put them in the basket.

Mr. JEFFERIS. Who said that?

Mr. LARSON. Mr. Jenks. I told him that I did not quite appreciate that, inasmuch as I was working for the Government. I endeavored to protect their interests, the same as any man would for him. But at a later conference the matter was again brought up to Mr. Jenks, and he said that his first reply to Watertown's requirements was final, in that they would ship only a certain proportion of the original quantities, whereupon he was informed that the meeting was not to discuss what should or should not be shipped, and the matter would be referred to the Chicago office for settlement. We took it up with Mr. Church then, and he arranged a conference with Col. Hughes a day or two afterwards; and in a telephone conversation Col. Hughes asked Mr. Jenks to be present, and on the morning of the conference at the Chicago office Mr. Jenks was the first one that went into Col. Hughes's office, and Mr. Church, upon his arrival, probably 15 minutes later, was ushered in. I went back to Maj. Brock's department with two or three of our men, including Mr. Cook, the chief inspector, and Mr. Wilson, who has had charge of our inventory on those materials, with necessary records and data.

I informed Maj. Brock the day before of the meeting, and it was my purpose to consult with him then and make him conversant with all the data we had with us. Maj. Brock told me to see Col. Hughes with himself, but I was told he was not ready for us, Mr. Jenks and Mr. Church being in there at the time. About a half hour later Maj. Brock and myself made another attempt to see Col. Hughes, and upon entering the door Col. Hughes said he cared to see the major personally; so I got back.

Mr. GRAHAM. Well, what happened?

Mr. LARSON. Well, after some discussion Col. Hughes, as I understand from Mr. Church—

Mr. JEFFERIS (interposing). You did not hear this?

Mr. LARSON. I did not hear this. He did not consider myself competent to settle the question of materials.

Mr. JEFFERIS. Let us have that in full.

Mr. GRAHAM. Did Mr. Church tell you this?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. Go on.

Mr. LARSON. I think it was Mr. Church asked Mr. Jenks if he was willing to take anything which was sent from Watertown Arsenal in reply to a wire which he would send him. Mr. Jenks said, "Yes." He had originally agreed on anything Col. Hughes had said; but the matter was now put up to Watertown Arsenal and Gen. Dickson to decide. Right in there it might be well to incorporate a certain telegram. I have a copy of Col. Hughes's telegram to Watertown Arsenal and Watertown's reply.

Mr. GRAHAM. Yes; it would be quite interesting to see what it is.

Mr. LARSON. I had it this morning; I do not seem to have it here. At any rate, the message was about as follows: That the Standard Steel Car Co. claimed the quantities requisitioned by Watertown were too great for the 200 carriages; that is, the proportion of material they were furnishing was more than their quota to supply the regular replacements for those particular carriages manufactured at Hammond, and they were furnishing material for Watertown's carriages as well, and asked if it was not possible for them to reduce the amount to a much smaller quantity. Watertown replied that the Ordnance Office had prescribed the quantities that were to be set aside for the 240-millimeter carriages and on the basis of their inventory—that they wanted the material in the farthest advanced stage of completion, and what Watertown could not furnish they were supposed to get from the Standard Steel Car Co. I have the telegrams right here.

Mr. GRAHAM. You may insert the telegram of Col. Hughes and the answer in the record.

(The telegrams referred to are as follows:

OCTOBER 7, 1919—11.05 a. m.

COMMANDING OFFICER WATERTOWN ARSENAL,
Watertown, Mass.:

Standard Steel Car Co. objects to furnishing all of the items groups 12 and 18 for the two 40 millimeter howitzer carriages on the basis that the amounts requisitioned are excessive and are not based on requirements for 200 carriages, but based on an inventory furnished by the company to Mr. Brauer. Request a statement from you as to the necessity for all the material asked for, and recommend that if amounts called for are not absolutely required, new requisition be forwarded immediately. Standard Steel Car Co. before signing settlement contract agreed to let Col. Hughes decide as to the reasonableness of your

requisitions. Col. Hughes not in a position to decide definitely as to whether requisitions in question are reasonable now. The Standard Steel Car Co. agrees absolutely to ship parts in their possession if Gen. Dickson personally decides requisitions are reasonable and should be filled. Please wire answer as soon as possible.

Col. E. S. HUGHES,
Colonel, Ordnance Department, United States Army.

WATERTOWN ARSENAL, MASS., October 7, 1919—5.20 p. m.

Col. E. S. HUGHES,
Ordnance Department, District Ordnance Office,
155 East Superior Street, Chicago, Ill.

Watertown, 418, reference your telegram this date, groups 12 and 18 war replacement parts for two 40-millimeter howitzer carriages, Chief Ordnance designated parts and quantity thereof to be stored here proving ground as war replacement parts. Ordnance officer ordered list prescribed by it be filled first from parts available this arsenal and get remainder from Standard Steel Car Co., and parts selected should be most advanced stage completion. Army inspector, Ordnance, Standard Steel Works, furnished list available parts in that plant from which Mr. Brauer selected quantity not furnishable by this arsenal, which quantities shown red-ink figures on group list. Therefore all articles, groups 12 and 18, ask for must be furnished by Standard Steel Car Co. to provide quantities prescribed by Chief Ordnance. Chief Ordnance gave Army inspector of ordnance Standard Steel Car Works ordered ship all parts requested by this arsenal.

DICKSON, Commanding.

Watertown, 442, reference your telegram this date; rough forgings for top carriage, platform, and gun axles; number each article for war-replacement parts prescribed by Chief of Ordnance, who directed parts in most advanced stage of completion be shipped Erie proving grounds. Necessary store drop forgings and axle forgings to provide number designated by Chief of Ordnance so Standard Steel Car Co. must furnish number forgings shown by red ink in lists furnished by Mr. Brauer.

DICKSON, Commanding.

Mr. GRAHAM. Now, after this telegram was sent and the answer returned what did this company do about turning over this stuff to the arsenal?

Mr. LARSON. Mr. Jenks saw Watertown's reply and objected to shipping rough axles; if they wanted 100 axles and we had only 20 complete, they would furnish those 20, and then the other 80 would be rough to fill the complete number asked for; but he could not see the logic, using a remark that it was rumored in Washington that this particular type of gun carriage had been condemned and would not be used; therefore he could not see the necessity of shipping the materials. We called Maj. Brock out, and in a meeting between Mr. Jenks and Maj. Brock and myself Mr. Jenks outlined a telegram which he wanted sent to the Watertown Arsenal on that. Watertown replied as follows [reading]:

Watertown, 442, reference your telegram this date; rough forgings for top carriages, platform, and gun axles; number each article for war-replacement parts prescribed by Chief of Ordnance, who directed parts in most advanced stage of completion be shipped Erie proving grounds. Necessary store drop forgings and axle forgings to provide number designated by Chief of Ordnance, so Standard Steel Car Co. must furnish number forgings shown by red ink on lists furnished by Mr. Brauer.

That telegram was sent to Mr. Jenks on October 13, and he has made no reply to it. And since that time—in fact, since October 1—the company officials have been far more arbitrary than before.

About October 1 the cost accounting section rules that the employees would not be carried on the pay rolls after the Government award, which was supposed to take effect October 1, whereupon Mr. Jenks said that he would close up the shop and allow nobody in there, and that he intended absolutely to disregard that part of the award which states that shall have access to all materials. During those few days when our inspectors were barred from the ship Mr. Cook noticed a carload of tools in buildings 10 and 11, the two joined together, and he reported to myself and Mr. Church, and he was instructed to get the number of the car and the initials, so that we could trace it, and when he got back out there the car had been moved. He secured information directly that it was located on the freight side, which is the Standard Steel Car Co. property and joins the Ordnance plant, and he found those tools being unloaded inside of one of their wood-working shops. That was the only carload of materials that we noticed or discovered being shipped out.

Mr. LARSON. There are a few machines that still remain to be shipped to Rock Island Arsenal, and as soon as they are shipped we will have nothing more to do with the machinery.

Mr. GRAHAM. But what did you observe the other day in going through the plants about many of the machines that are there—about them being shipped to other places?

Mr. LARSEN. I don't know but what one of those machines are adaptable to commercial purposes; all special machinery which was particularly adapted to the machines on these gun carriages was requested by Watertown Arsenal.

Mr. GRAHAM. You do not understand yet, Mr. Larson. Are they shipping some of those machines to their other factories at various places?

Mr. LARSON. They have not as yet shipped them out, although we have noticed that each machine was tagged to some subsidiary company.

Mr. GRAHAM. How many do they have, do you know, subsidiary companies?

Mr. LARSON. They are very numerous; they have some as far as Japan. I know a few of them, the Pittsburgh Model Engine Co., the Osgood-Bradley Co., and the Forged Steel Wheel Co., I believe; and these various machines they have tagged to all of these various companies.

Mr. GRAHAM. So that it is evidently the intention to ship them to these other companies for use?

Mr. LARSON. For use; yes, sir. I was informed by Mr. Clifford this morning that he intended to take all of our typewriters away from us, inasmuch as they had been purchased by the Standard Steel Car Co.; so that we will have no equipment.

Mr. GRAHAM. I assume that is correct, isn't it?

Mr. LARSON. I assume it is.

Mr. GRAHAM. Is there anything out there they did not get?

Mr. LARSON. All except the personnel of the Government.

Mr. GRAHAM. What has been your experience, Mr. Larson, before you came into this plant?

Mr. LARSON. Secretarial capacity, and secretary to the assistant vice president of the Santa Fe Railroad, in charge of the mechanical

department. My duties required traveling over the system nine or ten months of the year.

Mr. GRAHAM. How long were you with him?

Mr. LARSON. Twelve years; five years with him personally, and the balance of the time with the vice president in charge of operations.

Mr. GRAHAM. Mr. Jefferis, do you want to examine?

Mr. JEFFERIS. What is Mr. Jenks's first name?

Mr. LARSON. I don't know; his initials are P. G. He was the general manager of Ordnance, but since the settlement he has taken back his old title of assistant to the president.

Mr. JEFFERIS. Do you know how long he has been with that company?

Mr. LARSON. No, sir; I do not.

Mr. JEFFERIS. You do not know what his business was before he came with the company?

Mr. LARSON. Yes; he has been with several car companies, and I believe his last position before coming to the Standard Steel Car Co. was secretary or treasurer for the Western Steel Car & Foundry Co.

Mr. JEFFERIS. Did you take up with Mr. Vail anything about the requisitions of Watertown and Rock Island Arsenal, if any, just prior to this award?

Mr. LARSON. Yes, sir; we did not have a list with us at the time these various members of the advisory committee of the claims board were at Hammond on September 25, but in going over the shop or Government storehouses I remarked to Mr. Vail that it might be well to mention to these officers that the material lined up in one corner of that storehouse was what Watertown had requisitioned, and he said all right, and he evidently took it up with somebody, some one of the officers, and the answer was made that it should not be mentioned at this time.

Mr. JEFFERIS. Who said it should not be mentioned at this time?

Mr. LARSON. Mr. Vail gave me that reply, after I told him about it, and about 10 minutes later he came back and said somebody had stated that this matter should not be mentioned at this time.

Mr. JEFFERIS. Now, who was in that party that he could have consulted?

Mr. LARSON. I think it was Col. Reeves; I am not absolutely certain, either Col. Reves or Col. McFarland.

Mr. JEFFERIS. Was Col. Hughes there?

Mr. LARSON. Yes, sir; and Mr. Graves, and this Mr. Sofberg; he was along.

Mr. JEFFERIS. You do not know through what person Mr. Vail took up this suggestion of yours?

Mr. LARSON. No, sir; but upon getting back to the office, in the meeting in the afternoon this list was presented to Col. Reeves and Col. McFarland.

Mr. JEFFERIS. What list?

Mr. LARSON. All the jigs, tools, etc., and I suggested that necessary reservation be made in the award.

Mr. JEFFERIS. And who brought it to their attention?

Mr. LARSON. At the meeting I requested that reservation be made to protect this material.

Mr. JEFFERIS. Did anybody else make it?

Mr. LARSON. Mr. Church agreed that it should be taken care of. Col. Reeves said that it would; that later they would put the matter up to Mr. Jenks and Mr. Corey when they were called in. And at the time they were called in it was necessary for me to go to the depot and meet some other member of the claims board who was coming from Little Rock, and I was gone a total of 25 minutes and upon getting back Mr. Corey and Mr. Jenks had been there and the meeting adjourned and the members were ready to leave, so I did not know exactly what reservation had been made.

Mr. JEFFERIS. Did Mr. Vail ever tell you anything else about these requisitions that the Government could not have them until the Standard Steel Car Co. had a chance to get them?

Mr. LARSON. He told me once or twice about that procedure in the presence of Mr. Church, that that was the procedure outlined to him by the Chicago claims board, and should be handled in requisitioning material or machinery of whatsoever nature.

Mr. JEFFERIS. In other words, the Standard Steel Car Co. has the first chance to have it?

Mr. LARSON. The first chance to buy it, even though some other arsenal wanted it.

Mr. JEFFERIS. Even if the Government owned it, and some other agency wanted it in the Ordnance Department?

Mr. LARSON. Exactly; yes, sir.

Mr. JEFFERIS. Were you present yesterday, Mr. Larson, and did you hear when we were down there in the boiler room—

Mr. LARSON (interposing). Yes, sir.

Mr. JEFFERIS (continuing). The conversation in regard to what that slack coal cost there?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. Do you know the party that was there representing the company?

Mr. LARSON. Yes, sir; it was Mr. J. J. Clifford, supervisor of stores for the Standard Steel Car Co.

Mr. JEFFERIS. Did you hear me ask him what that slack coal cost there?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. What was his reply to me?

Mr. LARSON. I do not remember the exact amount; it was \$4. I do not remember whether there were any cents or not—f. o. b. their tracks, I believe.

Mr. JEFFERIS. Per ton?

Mr. LARSON. Per ton.

Mr. JEFFERIS. Do you know whether that was the same coal or part of the same coal that had been purchased by the Government?

Mr. LARSON. I do not know; I could not say.

Mr. JEFFERIS. Was there any different kind of coal used there?

Mr. LARSON. That I do not know, either. The Government has had nobody in the power house whatever who would be familiar with that, but we may find from the cost-accounting section just what coal was bought and paid for and the class of coal.

Mr. JEFFERIS. Did you ever see any other or different kind of coal around there, other than that they were using yesterday?

Mr. LARSON. I have gone through the power house several times, but never particularly observed the class of coal that they were using.

Mr. JEFFERIS. How many typewriters did you have down there, Mr. LARSON?

Mr. LARSON. We have a total of 10 that are now being used that were assigned to us, but I told Mr. Clifford a few days ago that he could take away 3 of them if he would allow the others to remain.

Mr. JEFFERIS. Is that all the Government typewriters that were there?

Mr. LARSON. They were all Government typewriters originally.

Mr. JEFFERIS. I say, were there any others there besides what you had?

Mr. LARSON. No; they had been removed. They had taken them out and gotten them into one bunch.

Mr. JEFFERIS. Do you know about how many the Government had there in toto?

Mr. LARSON. That the Government had?

Mr. JEFFERIS. Yes.

Mr. LARSON. I think about 12 or 14 machines.

Mr. JEFFERIS. Altogether

Mr. LARSON. In that one department.

Mr. JEFFERIS. I mean all the machines.

Mr. LARSON. The whole Ordnance Department?

Mr. JEFFERIS. Yes, sir.

Mr. LARSON. I couldn't say; I expect, however, that we had in the neighborhood of about 150 or 175 machines. I do not know exactly; it is a case of the volume of office space and the number of employees we had in the service.

Mr. JEFFERIS. What kind of typewriters were they?

Mr. LARSON. All Remingtons and Underwoods.

Mr. JEFFERIS. As you understand it, the Standard Steel Car Co. had taken them all but those 10 that you still have?

Mr. LARSON. They have taken them all; yes, sir. They are claiming all the office furniture, the desks and the typewriters. Some they are sending to Pittsburgh or the Butler Works, as well as others to various plants.

Mr. JEFFERIS. Distributing this office furniture around to their various subsidiary companies?

Mr. LARSON. We have a movable safe of the company, in which we have kept important papers, and Mr. Clifford informed me yesterday that the Butler office wanted that vault.

Mr. JEFFERIS. I guess they are going to get you fellows out of there?

Mr. LARSON. They are going to throw us out bodily if we do not get out. Mr. Jenks stated that he was going to close up the office buildings and would not give us any heat or light, but I guess he changed his mind later on that.

Mr. JEFFERIS. That office building was built by the Government, wasn't it?

Mr. LARSON. Built by the Government.

Mr. JEFFERIS. Do you know about what it cost?

Mr. LARSON. The original building cost \$40,000, and two wings were added to it at a total expense of \$20,000, making a total cost of the building as it stands of about \$60,000.

Mr. JEFFERIS. Did you hear any officers of the Standard Steel Car Co. make any claims or representations during the time of the settlement of this matter as to the value of that building to them?

Mr. LARSON. No, sir; except at the meeting, at which no Standard official was present, being all Government employees and officers, in reading the detailed items the Government officials had stated the Standard Steel Car Co. was willing to offer \$5,000 for it.

Mr. JEFFERIS. Who said that?

Mr. LARSON. Mr. Vail read from the list.

Mr. JEFFERIS. Was anything said about it?

Mr. LARSON. They thought it was very fair; that it was just a fire trap, the Standard Steel Car Co. said; that it was worth nothing only for firewood. But they have been moving their freight department offices over there very rapidly, and they are using it very rapidly.

Mr. JEFFERIS. You think they wanted that as soon as the settlement was made?

Mr. LARSON. Yes, sir; the office that was suitable only for kindling wood, they said, whereas it was a mansion compared to what they had, so far as the Standard Steel Car Co. was concerned.

Mr. JEFFERIS. This office building also had a clubroom attached to it, didn't it?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. Did the Government pay for that also?

Mr. LARSON. No, sir; it was paid for by the Standard Steel Car Co., but they had it joined to the office building by a small areaway, inclosed.

Mr. JEFFERIS. Were you there when that big shop was built, 1,200 feet long?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. Was that all built about the same time?

Mr. LARSON. Yes, sir; about the same time, as near as I can recall.

Mr. JEFFERIS. As you understand it, or as you talk about it, you speak of 600 feet of it was built at Government expense.

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. And the other 600 feet at the Car Co.'s expense?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. But the Car Co. was doing the work?

Mr. LARSON. No, sir; the Car Co. had contracted, I believe, through outside sources for the building.

Mr. JEFFERIS. One contractor did it all?

Mr. LARSON. One contractor, so far as I know, did it all, and the interest the Standard Steel Co. had was to pay the bills; this appropriation of \$750,000 being made for that purpose.

Mr. JEFFERIS. Do you know how much the whole building cost?

Mr. LARSON. I could not say. I believe the cost accounting section can supply the figures.

Mr. JEFFERIS. Now, if it was built at one transaction, how do you understand Mr. Vail speaks of it as an extension being built to the Standard Steel Car Co.?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. How does he make that an extension?

Mr. LARSON. It was termed an extension, because the original building that the Standard Steel Car Co. had on that ground was

a sheet-iron affair 600 feet long. The Government told them it was too small——

Mr. JEFFERIS (interposing). Do you know who told them that?

Mr. LARSON. I do not; I believe it was Lieut. Toucey; he had charge of the increased facilities for the Production Division, and I think he told them it was too small, an appropriation was contained in the original purchase order allowing \$750,000 for building. The Government then decided to put up a 600-foot extension with the \$750,000, to make it 1,200 feet long, and the Standard Steel Car Co. also decided that they would have their old building remodeled and have it in unison with the Government section.

Mr. JEFFERIS. In other words, make it a uniform building?

Mr. LARSON. Absolutely.

Mr. JEFFERIS. Do you know whether or not the Government funds paid for this transformation to have the old building made a nice looking building?

Mr. LARSON. I had no connection with the financial matters whatever; I am not in position to say.

Mr. JEFFERIS. Now, it was built of brick sides, was it?

Mr. LARSON. Built of brick.

Mr. JEFFERIS. What kind of building so far as superstructure?

Mr. LARSON. Concrete walks, etc., with pits. Mr. Jenks was told that those pits would be very suitable for car work, but he said no; it would be all filled in. But it would be left open, because it is what they want for car construction.

Mr. JEFFERIS. A steel building?

Mr. LARSON. Yes, sir; steel girders.

Mr. JEFFERIS. So they have a building 1,200 feet long and 280 feet wide?

Mr. LARSON. Yes; with three traveling cranes the entire length of the building.

Mr. JEFFERIS. New cranes; were all those cranes that run the length of the building purchased by the Government?

Mr. LARSON. I believe they were.

Mr. JEFFERIS. It is pretty complete?

Mr. LARSON. It is a very excellent commercial enterprise for anybody to go in there.

Mr. JEFFERIS. What was your observation about all that machinery going in there costing considerably over a million dollars; was it good machinery?

Mr. LARSON. All purchased new; and what we could not purchase was commandeered and sent here by Washington. I assume it was all essential and necessary; I have no way of knowing otherwise.

Mr. JEFFERIS. We saw an oil house down there yesterday; do you know who paid for that?

Mr. LARSON. I think the Government paid for it. We have a plat that shows all building on the Standard property and those constructed at Government expense.

Mr. JEFFERIS. Do you know what amount of oil they had on hand?

Mr. LARSON. No, sir; I do not.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, anything?

Mr. GARRETT. I do not think of anything.
(And thereupon, at 12.50 o'clock p. m., the committee stood on recess until 2 o'clock p. m.)

AFTER RECESS.

The committee resumed its session at 2.30 p. m., pursuant to the taking of recess.

Mr. GARRETT. Mr. Chairman, I would like to recall Mr. May for a question or two.

Mr. GRAHAM. Very well; Mr. May, will you please come forward?

FURTHER TESTIMONY BY MR. FRANK OWEN MAY—Recalled.

Mr. GARRETT. Mr. May, during the course of your examination this morning reference was made to the time at which Col. Hughes handed to you or delivered to you with the request for the auditing of certain items.

Mr. MAY. Yes, sir.

Mr. GARRETT. What was done with that paper?

Mr. MAY. That paper was turned over to Mr. Blakey who happened to be in the office that afternoon, and he took it to the plant the next day and brought up this preliminary report, which you have.

Mr. GARRETT. This report of Mr. Blakey and which has been placed in the record was in response to that request?

Mr. MAY. Yes, sir.

Mr. GARRETT. That letter was dated September 15?

Mr. MAY. Yes; I am not sure of that date; that could be easily verified. Here is a copy [referring to paper]; September 15 is right.

Mr. GARRETT. Was that the only request that was ever made of your office by Col. Hughes?

Mr. MAY. The only request.

Mr. GARRETT. The particular thing I am after is the date of that; you stated this morning, as I understood you, that Col. Hughes requested it to be returned within two or three days for use in some sort of settlement?

Mr. MAY. Some sort of a preliminary hearing which was going to be had in connection with this claim.

Mr. GARRETT. Did you understand that that was going to be had by the district board, or this conference that was had when the representatives from Washington came?

Mr. MAY. By the district board.

Mr. GARRETT. So it was not just two or three days before the meeting here?

Mr. MAY. Not before the meeting of the board of representatives from Washington; no, sir.

Mr. GARRETT. That is all.

Mr. GRAHAM. Now, Mr. Cook, we will examine you.

**TESTIMONY OF MR. DAVID R. COOK, CHIEF INSPECTOR OF
ORDNANCE, WAR DEPARTMENT.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your full name?

Mr. COOK. David R. Cook.

Mr. GRAHAM. Where do you live?

Mr. COOK. Lyndora Hotel, Hammond, Ind.

Mr. GRAHAM. Are you in the employ of the Government?

Mr. COOK. Yes, sir.

Mr. GRAHAM. In what capacity?

Mr. COOK. Chief inspector.

Mr. GRAHAM. At what place?

Mr. COOK. The Standard Steel Car Co., Hammond, Ind.

Mr. GRAHAM. How long have you been there?

Mr. COOK. A year and eight months.

Mr. GRAHAM. And as inspector all the time?

Mr. COOK. When I first came here I was assistant inspector of ordnance for about six months, and then made chief.

Mr. GRAHAM. Prior to this service at the Standard Steel Car Co., where were you located?

Mr. COOK. At Kansas City, technical shop foreman for the Santa Fe; had charge of the machinery.

Mr. GRAHAM. So that you have had experience in that kind of work?

Mr. COOK. Almost 12 years previous to coming into the Government service.

Mr. GRAHAM. Now, the question arose this morning about some tools and some material, indirect material, at the shop of the Standard Steel Car Co., and that you had some knowledge of some of this indirect material having been taken into the freight-car plant during the progress of these settlements; what do you know about that?

Mr. COOK. This indirect material, I believe it was about the 10th of the month, I am not sure of the date—

Mr. GRAHAM (interposing). What month?

Mr. COOK. This month. All of a sudden the men from the office and all the men became very busy gathering up all the tools and fixtures and jigs that were in the plant.

Mr. GRAHAM. In the ordnance plant?

Mr. COOK. In the ordnance plant. It looked suspicious to me; and the work car from the freight-car side was also shoved in there and I tried to get Mr. Church, who was our foreman out there, so as to tell him what was going on. I could not get him, but I got Mr. Larson, and about four hours later Mr. Church rung up and said that it was all right; that he saw Mr. Jenks, and Mr. Jenks said they were getting the tools ready for shipment. All the tools were brought out in plain sight, and then about 3 o'clock in the afternoon they got things out covered with gunny sacks. We had been told we had no business in that part of the shop. I could not get a line on what was going on in the car, I did not hear; but when I met a man that heard the engineer say that it was going on the freight side, and I hunted up the engineer and asked him where the car was put; he said that he had instructions to leave the car in the middle of the track on the freight side, but "the car is not there now." I went over there and it took

me two and a half hours to find it; I could not find it; but they had taken 20 men over there and the car was unloaded at once when it got over there. I found out where it was put.

Mr. GRAHAM. Where was it put?

Mr. COOK. I could not give you the number of the building; it is a small building. It had glass windows but unfortunately one of the windows was out, a glass window, and in there I saw the tools and the stuff. They had special tools and fixtures made for the carriage work, but, on the other hand, you could use them for commercial purposes.

Mr. GRAHAM. Was there a carload of them?

Mr. COOK. Yes, sir; a car load. I should judge this was about a 40,000 capacity car they took out of there; a flat car.

Mr. GRAHAM. And you saw them in that building?

Mr. COOK. I saw them in that building this morning.

Mr. GRAHAM. Did you ever talk to any of them why they took them out of there?

Mr. COOK. I did speak to Mr. Clifford about where they went.

Mr. GRAHAM. What did he say?

Mr. COOK. He did not give me any answer: he sidetracked me.

Mr. GRAHAM. Mr. Clifford is storekeeper for the Standard Steel Car Co.?

Mr. COOK. Yes, sir; Mr. Clifford is quite a bear and I did not want to start anything with him. Before that I had talked with different men trying to get a line on them; nobody knew anything about them. At this same time Mr. Jenks and Mr. Vincent and Mr. Huckle, those three men were the leading men out there so far as the Standard Steel Car Co. goes, and they had been busy running around, and that is what made me think it was kind of suspicious.

Mr. GRAHAM. What do you think they did that for? What is your idea?

Mr. COOK. You understand I am in the shop; so far as correspondence goes and the authority for things, I go on the things I get on the phone or hearsay; but the supposition was that some meeting they had in Chicago here they had agreed that the Standard Steel Car Co. in spite of the fact that it had requisitions for the things in there were given the steel, we only to get the special tools.

Mr. GRAHAM. For the arsenals, you mean?

Mr. COOK. Yes; and my idea was that these tools were tools in which there might be a question raised, although there might be special tools, you could arrange them for special work; they are special with inserted cutters, and I figured the reason they were getting them out would be to get the tools out and away.

Mr. GRAHAM. And if a question arose they could say they were not in the place?

Mr. COOK. Yes; that is the way I had it figured out.

Mr. GRAHAM. Did you observe anything of that kind at any other time?

Mr. COOK. No, sir; that is the only time I saw anything of the kind specially.

Mr. GRAHAM. And that was after it was all settled up and they had received their money?

Mr. COOK. I do not know when they received their money; I believe in September the 28th of 29th and this was the 10th of the month of October; about two weeks after the settlement.

Mr. GRAHAM. What opportunity did you have during the work to inspect the material there, were you given free access around there?

Mr. COOK. Yes, sir; we were.

Mr. GRAHAM. Were you ever interfered with by the officials, or employees, of the Standard Steel Car Co.?

Mr. COOK. Never interfered with. Naturally, in a contract like this we had quite a bunch of discussions; we did not have the same agreement, but that was referred to Mr. Church.

Mr. GRAHAM. What did you observe, Mr. Cook, about the way men were working on that job; that carriage job?

Mr. COOK. At the first, up until about February the Standard Steel Car Co. was up against it on account of the lack of special tools and fixtures.

Mr. JEFFERIS. What year?

Mr. COOK. 1918. No; in fact, we did not get a lot of our fixtures in until after the armistice was signed.

Mr. GRAHAM. A lot of your tools?

Mr. COOK. Yes; a lot of our inspection tools; and not only inspection tools but some fixtures were received when we quit work as late as June, 1919. About that time they had about three times as many men at they could use, but I think it was a good thing because they were getting the men lined up for a time when we did have the fixtures and tools.

Mr. GRAHAM. Well, did they seem to be efficient; were the men working good time, or were they loafing on the job; how was the work progressing around there?

Mr. COOK. The first six months, up to August, 1918, they were doing nothing; just bearing down and making no progress.

Mr. GRAHAM. What was the trouble?

Mr. COOK. It was a lack of tools and having the right men in the right positions. They were lost all over.

Mr. GRAHAM. They did not know what they were to do?

Mr. COOK. They did not know just what they were doing.

Mr. GRAHAM. That continued up until about August, 1918?

Mr. COOK. August, 1918.

Mr. GRAHAM. Was there any change, then, for the better?

Mr. COOK. Yes, sir; up to that time, or some time along close to there they got a new works manager—

Mr. GRAHAM (interposing). Who was he, Mr. Cook?

Mr. COOK. Mr. Huchle was taken out and Mr. Christianson took over full control. Previous to that time there was a good deal of trouble. That was about the same time Mr. Church came out there, and Mr. Church had sufficient authority to make any changes on drawings which he saw fit.

Mr. GRAHAM. Then he went to making changes right at the plant, did he?

Mr. COOK. Yes, sir.

Mr. GRAHAM. From that time on things went better?

Mr. COOK. Yes, sir; our original drawings, the tolerance is on them, and specifications on material was really a joke. In other words, where commercial steel would have given the best results

they had special steel and had added on to that where there was no necessity of having tolerance at all, they had a tolerance of one or two or three thousands.

Mr. GRAHAM. That was in the plans arranged by the Ordnance Department at Washington, I assume?

Mr. COOK. I could not say about that; these were on our drawings which we received from Watertown.

Mr. GRAHAM. Oh, they came from Watertown Arsenal?

Mr. COOK. From Watertown Arsenal to us.

Mr. GRAHAM. Do you know about ordinary metal working machinery, Mr. Cook, don't you?

Mr. COOK. Yes, sir.

Mr. GRAHAM. And what it can be used for?

Mr. COOK. Yes, sir.

Mr. GRAHAM. What do you say about that machinery in buildings 10 and 11; are they tools and machines that can be used in ordinary commercial purposes?

Mr. COOK. With few exceptions.

Mr. GRAHAM. What exceptions?

Mr. COOK. We had a three-spindle machine to bore the trunnion on the top of the carriage; that is what it was designed for and can be used for practically nothing else.

Mr. GRAHAM. That is just one machine?

Mr. COOK. Yes; and then we also have two special trunnion turning machines which I do not think could be used for any commercial purpose. And then a large 6-foot diameter cutter which is fixed upon a slab miller, fixed upon a trunnion, which could not be used for anything else.

Mr. GRAHAM. Do you think of anything else?

Mr. COOK. No; our machines, not counting the four, though they were rigged up specially, can be used.

Mr. GRAHAM. If you change the cutters?

Mr. COOK. Yes, sir.

Mr. GRAHAM. How many machines, all in all, do you think the Government put in there? You have mentioned four. There were hundreds of them, weren't there?

Mr. COOK. There were hundreds of them:

Mr. GRAHAM. Have you noticed them shipping any out of there to other establishments?

Mr. COOK. They shipped one carload to Butler. At the present time they have most of them marked to the plants of the Standard Steel Car Co., I think one at Lancaster and some to Butler.

Mr. GRAHAM. That they are going to use these machines in their operations elsewhere?

Mr. COOK. Yes, sir.

Mr. GRAHAM. Are those machines as good as when they were put in there?

Mr. COOK. I would consider them easily 90 per cent as good.

Mr. GRAHAM. Isn't it a fact that in some cases they are better, because they are loosened up so that they will do better work?

Mr. COOK. Commercially they are, but as to value they have had six to nine months work on them.

Mr. GRAHAM. How much does that injure a machine?

Mr. COOK. The lathes were not injured at all, because they had high-class men on that work, the lathes in 10 and 11, but the milling machines are in pretty bad shape, due to the fact that they had such a cheap grade of labor on them.

Mr. GRAHAM. Well, what per cent of depreciation is there on those machines, in your judgment?

Mr. COOK. I should say 90 per cent as good as new, while others are 10 per cent, and down to about 60 per cent.

Mr. GRAHAM. How does the price of that machinery now compare to what it was at the time it was put in there, on the market? Suppose you go into the market and want to buy one of those machines to-day, would it cost as much now or less?

Mr. COOK. No; I am saying about 60 per cent.

Mr. GRAHAM. You think it is possible to buy these machines now at a less price than when those were bought?

Mr. COOK. Yes, sir.

Mr. GRAHAM. Why is that? Were these machines bought at an unreasonable price or the market price?

Mr. COOK. They were bought on the market price, but due to the awful demand made on the market the machines were rather out of reason.

Mr. GRAHAM. Have you priced any machines recently?

Mr. COOK. No; but I have heard what different machinery was selling for.

Mr. GRAHAM. Do you want to ask any questions, Mr. Jefferis?

Mr. JEFFERIS. I don't believe I do.

Mr. GRAHAM. Do you, Mr. Garrett?

Mr. GARRETT. No, sir.

Mr. GRAHAM. Let me ask you, Mr. Cook, do you know what proportion of those machines on that job were purchased by the Standard Steel Car Co. and what were commandeered by the Government?

Mr. COOK. I can not answer that particularly, because the only information I have is from conversations with different people about the plant. Capt. Andrews told me this morning it would run \$600,000 worth of machines commandeered by Washington.

Mr. GRAHAM. Commandeered by Washington?

Mr. COOK. Yes; and not shown on the summaries by the auditing department.

Mr. GRAHAM. That is, paid for by Washington and not shown out of the seventeen million and odd dollars spent on this plant?

Mr. COOK. It would not be included in that?

Mr. GRAHAM. And your information is there is about \$600,000 worth of that?

Mr. COOK. That is what Capt. Andrews told me this morning.

Mr. GRAHAM. But those machines did go to this Standard Steel Car Co. on this settlement?

Mr. COOK. Yes; but the machines O. D. 600 that were sent to Hammond, he had the matter up with Mr. Jenks; he said they were billed to the Standard Steel Car Co. and he did not have any record of them, and he refused to return them and he returned them to Capt. St. Clair; he has a complete record of those machines.

Mr. GARRETT. You spoke of four machines not suited for commercial work; only suitable for work on this gun carriage; are those machines still at the plant?

Mr. COOK. Yes—no; I will take that back; probably of those three, two of them were shipped to Watertown at the present time, two trunnion machines and the large miller I spoke of. Those three machines left in the plant, and two went to Watertown.

Mr. GARRETT. Do you know what disposition there is for the machines at the plant; what is to be done with them; whether there is any requisition for them at Watertown?

Mr. COOK. I don't know; Mr. Larson could probably tell you.

Mr. GARRETT. Do you know, Mr. Larson?

Mr. LARSON. We have not completed our shipments yet; whether they are in the requisition, I do not know unless I checked them up.

Mr. GARRETT. That is all.

FURTHER TESTIMONY OF MR. CHARLES R. MILLER—Recalled.

Mr. GRAHAM. Mr. Miller, since you were on the stand before, have you made any computations to try to give me the value of the Standard Steel Car Co.'s ordnance plant at the time the Government started operations there, and now?

Mr. MILLER. Yes, sir.

Mr. GRAHAM. I wish you would tell us now what the value was at the time the Government began operations there?

Mr. MILLER. The value of the Standard Steel Car Co. property on the ordnance side at the time the Government started the contract was \$870,880.72. We have spent at the Standard Steel Car Co. since the beginning of operations and building, for buildings and machinery, and all other equipment, \$3,164,553.38, which, added to that former figure, would give the present value of the investment as \$4,035,434.10. This figure of \$3,000,000 does not include the tools, dies, and so forth, which is an expense matter. At the time this stuff was paid for by the Government it was paid for as special facilities, but I have taken it out as a matter of expense, portable stuff that can be moved quickly.

Mr. GRAHAM. So your estimate at this time is the book value of that plant is—

Mr. MILLER (interposing). \$4,035,434.10. That does not include that \$600,000 worth of commandeered machinery.

Mr. GRAHAM. Now, I assume that you do not know, Mr. Miller, and can not ascertain what value this company itself is placing on this property, do you?

Mr. MILLER. I do not know, for the reason the Standard Steel Car Co. in keeping a record with the Government simply charged us for the amount spent for these machines and then we reimbursed them with a voucher and with a check, and which simply wiped out the account, so that the balance would still show what we owed the Standard Steel Car Co.

Mr. JEFFERIS. In this \$4,000,000 that you have there, Mr. Miller, that means buildings, the land, and the machinery that you might say was permanently attached to the buildings?

Mr. MILLER. Yes, sir; as a going concern.

Mr. JEFFERIS. Not loose tools?

Mr. MILLER. No loose tools. I have taken the loose tools out.

FURTHER TESTIMONY OF MR. NELS B. LARSON—Recalled.

Mr. GRAHAM. Mr. Larson, you know of the work that has been done out there by the Government Housing Corporation?

Mr. LARSON. Yes, sir.

Mr. GRAHAM. How many houses did they build there?

Mr. LARSON. I believe, new, about 200 houses, which seemed to run to two and four apartments.

Mr. GRAHAM. Well, has the Government ever closed out those operations there in that respect?

Mr. LARSON. No, sir; they have a manager on the ground, who still collects rental; none of the houses has been sold.

Mr. GRAHAM. Were those houses built on land owned by the United States Government?

Mr. LARSON. No, sir; owned by the Standard Steel Car Co.

Mr. GRAHAM. And what sort of title did we have to it; did we have leases?

Mr. LARSON. I am not familiar with the exact arrangement that was made for the construction of those houses and the leasing or rental of the land.

Mr. GRAHAM. But you know that the title is in the Standard Steel Car Co.?

Mr. LARSON. To the land, but the houses built by the Government.

Mr. GRAHAM. Do you know anything about the contract, whether the Government had the right to remove them?

Mr. LARSON. I don't know. The Government has a manager on the ground in charge of the houses.

Mr. GRAHAM. Yes; I know. What did it cost the Government to put those houses up there, do you know?

Mr. LARSON. I don't recall.

Mr. GRAHAM. Well, do you know whether the Standard Steel Car Co. is attempting to get possession of those houses?

Mr. LARSON. I think they would like to have them. I understand from their manager they made an offer for the houses several months ago.

Mr. GRAHAM. And do you know how much he offered?

Mr. LARSON. I do not have the exact amount with me; he did not have the amount with him last night, but would try to get it for me. However, the offer was very low and was rejected.

Mr. GRAHAM. And the matter is still pending?

Mr. LARSON. The matter is still pending.

Mr. GRAHAM. How close are those houses to the company plant?

Mr. LARSON. Within a block.

Mr. GRAHAM. Are they well adapted for the purposes of this company?

Mr. LARSON. They are well adapted to take care of working people.

Mr. GRAHAM. Up to the time those houses were built what arrangement did the company have for taking care of people?

Mr. LARSON. They had houses, two-story, about a block long, and each house housed 10 families.

Mr. GRAHAM. Did they have many of them?

Mr. LARSON. Four or five blocks of them, and two on each side of the street.

Mr. GRAHAM. Those houses put up by the Government are much better, I assume.

Mr. LARSON. Absolutely, and sanitary.

Mr. GRAHAM. Did the Government put in a sewer system there?

Mr. LARSON. Sewers, sidewalks, and a lawn; I do not know who paid for seeding the grass; it was a large expense.

Mr. GRAHAM. That is all in there lying inside of the company plant?

Mr. LARSON. Yes; I understand that those houses circulate around the Lyndora Hotel, which is owned by the Standard Steel Car Co.

Mr. GRAHAM. That is all.

Mr. JEFFERIS. During the time of the work, or since, did the men that lived in those houses work in the Ordnance Department only, or did they work in the car shops?

Mr. LARSON. I do not think any of them worked in the car shops, and very few, if any, worked in the Ordnance, because the houses were not finished in time to house the employees, they not being finished until March or April of this year. They are practically all occupied at the present time by outsiders.

Mr. JEFFERIS. Well, the Standard Steel Car Co. was working on those carriages. Were they also during that time over in their car department building railroad cars for the Railroad Administration?

Mr. LARSON. Yes, sir.

Mr. JEFFERIS. Do you know about how many cars they built for the Railroad Administration?

Mr. LARSON. They had an order for 5,000 to be completed. At the present time they are working on an order for 3,500 cars, which, in the week before their strike went on in July, they were producing at the rate of 25 or 30 cars a day.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. Did I understand you to say that nearly all those dwelling houses that the Government built are occupied at the present time?

Mr. LARSON. Yes, sir.

Mr. GARRETT. By whom?

Mr. LARSON. By Hammond people, and also an influx of working people, and very few that work in the plant; possibly a few now who work on the freight side.

Mr. GARRETT. There are other factory plants at Hammond, are there not?

Mr. LARSON. Yes, sir; it is in the center of the Calumet region, the industrial district.

Mr. GARRETT. Do you know whether any of those houses are occupied by any laborers of any other concerns there?

Mr. LARSON. I could not say about that.

Mr. GARRETT. Did the Government furnish those houses?

Mr. LARSON. Yes; built them; they are not furnished.

Mr. GARRETT. I mean, did the Government put the furniture in them?

Mr. LARSON. No; they are not furnished; no furniture.

Mr. GARRETT. Just the houses?

Mr. LARSON. Just the houses.

Mr. GARRETT. And the tenants furnished them themselves?

Mr. LARSON. Yes, sir.

Mr. GARRETT. Do you know anything about what rents the Government is receiving there?

Mr. LARSON. I understand the rent is rated about \$5 per room per month; the houses are four or five rooms each, which means the rents are approximately \$25 a month.

Mr. GARRETT. Do you know anything about the rental conditions in Hammond, to know whether it is about the same?

Mr. LARSON. It is very reasonable; it is lower than you can get anything else in Hammond.

Mr. GARRETT. The same type and character of houses?

Mr. LARSON. Yes, sir.

Mr. GARRETT. I believe that is all.

TESTIMONY OF MR. FRANK O'HAYER, GOVERNMENT COST ACCOUNTANT, AT THE OTIS ELEVATOR CO.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. What is your name?

Mr. O'HAYER. Frank O'Hayer.

Mr. GRAHAM. Where do you live, Mr. O'Hayer?

Mr. O'HAYER. 4310 North Mozart.

Mr. GRAHAM. What is your business?

Mr. O'HAYER. Accountant Otis Elevator Co.

Mr. GRAHAM. Are you in the employ of the Otis Elevator Co. or are you employed by the Government?

Mr. O'HAYER. By the Government.

Mr. GRAHAM. How long have you been working in that particular job?

Mr. O'HAYER. Thirteen months past.

Mr. GRAHAM. Prior to that time what was your business?

Mr. O'HAYER. Real estate.

Mr. GRAHAM. Located in Chicago?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Do you know anything about the letting of a contract for the construction of recuperators by the Otis Elevator Co.?

Mr. O'HAYER. I have a copy of the contract.

Mr. GRAHAM. That contract was made, as I remember it, the 22d day of December, 1917?

Mr. O'HAYER. 1917; yes, sir.

Mr. GRAHAM. And was for 1,039 recuperators for 240-millimeter howitzers?

Mr. O'HAYER. Yes, sir; 1,039.

Mr. GRAHAM. I think it is advisable to put the contract and the two supplemental contracts into the record at this place.

(The contract and the two supplemental contracts referred to are as follows:)

CONTRACT PC-388-CF. MADE BY THE CHIEF OF ORDNANCE WITH OTIS ELEVATOR CO., OF NEW YORK CITY FOR 1,039 RECUPERATORS FOR 240 MM. HOWITZERS, MODEL OF 1918 (SCHNEIDER). DATED DECEMBER 22, 1917.

Expires November 15, 1918.

Total amount of contract, _____.

Execution completed, _____.

Copy sent to Returns Office, Department of the Interior, _____.

ORDNANCE DEPARTMENT, UNITED STATES ARMY.

These articles of agreement, entered into this 22d day of December, 1917, between the Otis Elevator Co., a corporation of the State of New Jersey, principal office Eleventh Avenue and Twenty-sixth Street, New York City, of the first part (hereinafter called the contractor), and the United States of America, by Samuel McRoberts, colonel (hereinafter called the contracting officer), acting by authority of the Chief of Ordnance, United States Army, and under the direction of the Secretary of War, of the second part.

Witness: Whereas war exists between the United States and German, constituting a national emergency:

Now, therefore, under the provisions of section 120 of an act of Congress relating to national defense, approved June 3, 1916, and pursuant to all other laws of the United States and Executive orders of the President of the United States or heads of its departments under which the requirements of advertisement for proposals are dispensed with and contracts in the form hereof duly authorized, and in consideration of the mutual agreements herein contained, the said parties have agreed and by these presents do agree to and with each other, as follows, viz:

ARTICLE I. The contractor agrees to make for the United States the articles listed below, hereinafter called the articles, each of the articles being referred to as unit, in accordance with the drawings and specifications hereto attached marked schedule 1, and made a part hereof, together with such changes as may be made therein as hereinafter provided, and the United States agrees to pay therefor, all upon the terms and conditions in this contract set forth.

Articles contracted for.—One thousand and thirty-nine recuperators for 240-mm. howitzers, model 1918 (Schneider), with tools and accessories.

Schedule 1.—Manufacture must be in accordance with general specifications governing the manufacture of gun carriages, artillery vehicles, and similar ordnance material, as contained in the pamphlet entitled "Instructions to bidders and general specifications governing the manufacture and inspection of gun carriages, artillery vehicles, and similar ordnance material, form 434, revised March 15, 1917," as modified by "Special specifications governing the manufacture of 240-mm. howitzer carriages, model of 1918, Schneider," and "Specifications for paints for field artillery material, revised November 30, 1917, all of which are attached hereto and form a part of this contract and also in accordance with the following drawings: 38234, 38235, 38237, 38238, 38239, 38240, 38241, 38236, 38243, 38244, 38245, 38246, 38247, 38248, 38249, 38250, 38251, 38252, 38253, 38254, 38255, 38256, 38257, 38258, 38259, 38260, 38261, 38262, 38263, 38264, 38265, 38266, 38267, 38268, 38269, 38299, 38300.

It is understood and agreed that the contractor will not use the drawings, engineering data, or specifications for any purpose other than the manufacture of the articles covered hereby.

GENERAL PROVISIONS.

ART. II. Time being of the essence, the contractor agrees to provide, with the utmost dispatch, at the best prices obtainable, (1) such administrative, purchasing, manufacturing, and accounting organization; (2) such plant, machinery, tools, and other facilities; and (3) such labor, material, supplies, and the like as may be necessary to enable the articles to be made and all the requirements of this contract, including the requirements in respect of the storage and delivery of the articles contemplated herein, to be complied with in manner satisfactory to the contracting officer. The contractor in dealing with parties other than the United States shall make all subcontracts, purchases, payments, and other arrangements for performing this contract in his own name and for his account, and shall not bind, or purport to bind, the United States, except as the contracting officer shall otherwise in writing direct.

The contractor shall, unless otherwise directed by the contracting officer, insert in every contract made for material, supplies, and the like, relating to the performance of this contract, a provision that such contract may be assigned by the contractor and that such contract relates to a main contract between the contractor and the United States. All property paid for by the United States shall upon such payment become the property of the United States, shall be kept so far as practicable separate and apart from property belonging to the contractor and other property in his possession, and shall

be marked as the contracting officer may direct. In operating, caring for, and storing property of the United States, the contractor shall use his best efforts adequately to protect the same but shall not be liable for any loss or damage thereto except such as may be caused by the willful default or negligence of the contractor. The contractor hereby waives and releases all lien or right of lien now existing or which may hereafter arise for work or labor performed or materials furnished or for any other reason or cause under this contract, under any alien laws, State or Federal, upon the articles, material, supplies, or other property coming into his possession which it is contemplated shall presently or ultimately become the property of the United States. The United States may, at its option, from time to time furnish the contractor with any material, supplies, and the like or other property relating to the performance of this contract, provided, however, that the contractor's undertakings for the same, made in good faith, are not thereby interfered with.

DELIVERIES.

ART. III. The contractor agrees to deliver the articles according to the schedule of deliveries set forth at the end of this article.

Time being of the essence, the contractor will, if requested so to do by the contracting officer, use his best efforts to anticipate the foregoing schedule, and agrees to give the performance of this contract precedence over all work for parties other than the United States. The contractor shall not be responsible for delays caused by acts of war, riot, incendiarism, and the like, or by strike, fire, storm, and the like, or by any act or default of the United States or other cause beyond the control, or without the fault of the contractor, without, however, relieving the contractor from using his best efforts at the cost of the United States to remove such cause and to continue performance with the utmost dispatch whenever such cause is removed. The contractor from time to time will, and at any time upon the request of the contracting officer shall, furnish to the contracting officer statements and reports upon the progress of the work, and any and all factors relating to the delivery of the articles.

Deliveries of the articles, suitably packed, boxed, and marked as directed by the contracting officer, shall be made to the contracting officer f. o. b. cars at the plant of the contractor at Chicago, Ill., but the contractor, at the cost and risk of the United States, shall store the articles in such manner and for so long a period, not exceeding one year after acceptance by the contracting officer (which acceptance in such case shall constitute a delivery for the purpose of payments hereunder), as the contracting officer shall request, providing such space and buildings may be desirable for adequate and safe storage, and in determining such cost, the rental for the use of land and buildings of the contractor shall be determined as hereinafter in Article X hereof provided; and also the contractor shall ship the articles to any point in the United States, making all arrangements for transportation, all according to the instructions of the contracting officer, and the contractor shall be reimbursed for the cost thereof.

SCHEDULE OF DELIVERIES.

Delivery to begin May 1, 1918, and continue at the average rate of 163 recuperators per month thereafter and be completed by November 15, 1918.

PAYMENTS.

ART. IV. The United States will make the following payments to the contractor:

(1) The sum of \$1,250 for each unit delivered, as a fixed profit 90 per cent of which shall be paid upon the proper certificate of the contracting officer showing delivery and acceptance of units during the performance of the contract and the remainder upon the completion of the contract. Such fixed profit is subject to addition or deduction as hereinafter provided.

ADDENDUM TO ARTICLE IV.

Par. 2. (a) If the contractor sublet any finished parts of the articles 5 per cent of the purchase price of such sublet parts shall be deducted from the fixed profit specified in paragraph 1.

Par. 3. (a) The cost of the articles and of the increased facilities necessary for carrying out this order (which increased facilities shall not cost in excess of \$1,650,000 unless additional cost is authorized by the contracting officer) as allowed and determined by the contracting officer or his representative in accordance with the pamphlet entitled "Definition of cost pertaining to contracts," dated June 27, 1917, will be paid as follows:

(b) During the construction of the increased facilities and the manufacture of the articles hereunder the United States will attach a disbursing officer to the plant of the contractor, who at the option of the contractor will pay directly or will reimburse the contractor for the cost of the articles and the increased facilities determined, as aforesaid, upon receipt of proper vouchers therefor, approved by the contracting officer or his representative. No payment by the United States, however, shall prevent the United States from later disputing the validity thereof.

(c) Such disbursing officer will also make payments on account of the aforesaid fixed profit upon receipt of proper vouchers therefor approved by the contracting officer or his representative.

Par. 4. (a) Jigs, fixtures, gauges, and test tools are to be supplied by the contractor and are to be considered a part of the cost of articles, and are to belong to the United States.

Par. 5. (a) The United States reserves the right to order spare parts for the articles at a price to be determined by future agreement.

Par. 6. (a) All orders for material, increased facilities, and sublet finished parts are to be approved by the contracting officer before being placed.

Par. 7. All of the increased facilities paid for by the United States shall immediately upon such payment become the property of the United States and shall, in so far as practicable, be kept separate and apart from property belonging to the contractor and shall be marked as the contracting officer may direct. In operating, caring for, and storing the said property of the United States the contractor shall use its best efforts to protect the same, but it shall not be liable for any loss or damage thereto, except such as may be caused by its own fault or negligence. The contractor shall have free and unrestricted use of such increased facilities for the performance of this contract or for any extension thereto.

The United States shall have a period of one year, after the termination of the present emergency, as evidenced by proclamation of the President, within which to remove all of the increased facilities which have been paid for by, and which are the property of, the United States, and until such removal the United States will pay a reasonable dead-storage rental to the contractor for land or buildings belonging to the contractor and utilized for the storage of said increased facilities. The increased facilities shall be marked in such a manner as to give notice to the public that the same are the property of the United States. The contractor shall not acquire any right, title, or interest of any kind or nature in the increased facilities, and they shall at all times be considered as personal property and shall not be deemed to be affixed to or in any way a part of the real estate upon which they are situated. In the event of the removal of the increased facilities, if the same have been erected upon land or installed in buildings owned by the contractor, the United States will place the same in as good condition as obtained prior to this agreement, subject only to reasonable wear and tear, all without expense to the contractor.

The contractor agrees to protect and save harmless the United States from any and all claims that may be made by or on behalf of any mortgages, trustee, bondholder, or lienor to any building, structure, machinery, equipment, or other property that may, under the provisions of this contract, be placed upon land, subject to a mortgage, lien, or deed of trust.

ALLOWANCE OF COSTS.

ART. V. The allowances of the cost to the contractor of the articles for which the United States shall pay and the elements included in the term "costs" as used in this contract are as follows:

(1) The cost of all direct labor paid for by the contractor and used in the production of the articles contracted for herein.

(2) The cost of all direct materials contained in or forming part of the articles contracted for herein.

(3) Pro rata share of factory overhead expense applicable to and necessary in connection with the manufacture of the articles contracted for herein. (Insert agreement for fixed charge if practicable.)

(4) Pro rata share of administrative and general expenses applicable to and necessary in connection with the manufacture of the articles contracted for herein. (Insert agreement for fixed charge if practicable.)

The foregoing paragraphs Nos. 1, 2, 3, and 4 are subject to further amplification as contained in the "Definition of cost pertaining to contracts" to be supplied by the Finance Division (accounting section) of the Ordnance Department, to which reference is hereby made for the guidance of the contracting officer and the contractor as to the specific items of cost which will be allowed under the foregoing four general definitions. As conditions arise necessitating changes or modifications in the definitions referred to the contracting officer will furnish the contractor with information in regard thereto.

In addition thereto further allowances of cost from time to time may be made by the contracting officer.

The United States shall not be obligated to reimburse the contractor for any expenditures relating to the performance of this contract unless the approval of the contracting officer shall have been obtained.

The contractor shall not pay wages in excess of those prevailing in the locality in which the work is done, and during the performance of this contract shall not make general wage increases without the approval of the contracting officer. Any general wage increase made without the approval of the contracting officer shall be deducted from the profit to be paid to the contractor under Article IV hereof.

The determination of the actual costs as herein allowed shall be made by the contracting officer, who shall from time to time instruct the contractor as to (1) the methods to be followed in determining actual costs; (2) the submission of statements thereof, bills therefor, and all other supporting papers; (3) the submission of engineers' and accountants' certificates; and (4) such additions to the allowance of cost and such regulations and instructions with regard to its determination as from time to time shall be adopted by the chief of ordnance, or as may be required in order to enable the contracting officer to issue his proper certificates for payment thereof.

The decision of the contracting officer on all questions of the allowance and determination of cost and payment thereof shall be final, except that either upon the completion of the contract by the contractor, or its termination thereof by the United States, or whenever claims of cost amounting in the aggregate to \$25,000 shall have been disallowed or determined adversely to the contractor by the contracting officer, the contractor may appeal to the chief of ordnance by filing one statement of claim, which shall embrace all claims of cost previously disallowed or adversely determined, provided that all such claims shall be certified by an accountant designated by the contracting officer as being in their entirety the subject of expenditure of, or cost to, the contractor.

INSPECTION.

ART. VI. All increased facilities, material, supplies and the like furnished under this contract, the plant, machinery, tools and other equipment, all workmanship, the articles, and all bills, statements, receipts, vouchers, books, correspondence, memoranda, and other records of all sorts of the contractor related to the subject of this contract shall be at all times subject to inspection by the proper officers or agents of the Ordnance Department, or persons designated by the chief of ordnance or the contracting officer, and the contractor shall furnish reasonable facilities and assistance for all such inspection. The contractor shall keep all such records in shape for ready reference and shall preserve the same for a period of at least six years after the completion of the contract. Whatever material is used in making the articles, the articles and all other property paid or to be paid for by the United States, which does not in all respects fulfill the requirements of the contractor, shall be rejected, and the decision of the contracting officer as to the quantity and quality thereof shall be final.

CHANGES IN SPECIFICATIONS.

ART. VII. It is agreed that the contracting officer may, by written notice to the contractor, make changes in the drawings and specifications forming part of this contract.

ADDITIONAL ARTICLES.

ART. VIII. The United States shall have the right to order at any time before the completion of this contract and the contractor shall thereupon supply additional articles under the terms of this contract, upon the same terms as to fixed profit and other payments, or at such reasonable advance upon fixed profit as may be fixed by the contracting officer; the articles to be delivered upon the dates fixed by the contracting officer or as near thereto as the contractor's best effort will allow. The United States may also order additional articles at any time before the completion of any other order for additional articles given as above provided, and the contractor shall supply such articles as aforesaid. Pending any such order for additional articles by the United States, the contractor agrees that he will accept no order for other work that will interfere with or delay such additional production without the written consent of the contracting officer and will remain ready to take any such additional orders from the United States and will give the performance thereof precedence over work for parties other than the United States. In connection with such additional orders the United States shall make suitable arrangements for replacing and maintaining all plant and equipment supplied to the contractor by the United States. It is further agreed that the United States may accept, with the consent of the contractor, in full satisfaction of this contract, such lesser quantities of the articles herein contracted for as the contracting officer may designate.

TERMINATION.

ART. IX. In the event that in the opinion of the Chief of Ordnance the public interests so require, this contract may be terminated by notice in writing to the contractor, without prejudice to any claim the United States may have against the contractor.

In the event of the termination of this contract as aforesaid, the United States shall pay the contractor all costs and obligations of the contractor theretofore incurred and not previously paid, which may be allowed pursuant to Article V hereof, together with the fixed profit herein provided upon all articles previously delivered and accepted.

In addition thereto the United States shall make the following payments under the following condition:

In the event that the contractor shall not be in default under this contract at the date of such termination, the contractor shall be paid a sum which together with all fixed profit theretofore paid shall be equivalent to 10 per cent of all cost which the United States shall have previously paid, and shall then be obligated to pay, except the cost of raw materials, supplies, sublet parts, and the like, which shall have been purchased by the contractor for use in the performance of this contract but shall not have been used in making the articles delivered and accepted.

The foregoing provisions with respect to payments to be made by the United States upon the termination of this contract shall also apply in the event that the continued performance by the contractor of this contract is finally prevented by acts of war, riots, incendiarism, or other such causes beyond the control and without the fault of the contractor which may be directly traceable to the fact that the United States is in a state of war.

In the event of the termination of this contract as aforesaid any and all obligation of the United States to make any payments to the contractor hereunder, other than those specified in this Article IX, shall at once cease and determine.

DISPOSITION OF UNUSED MATERIALS, ETC., UPON TERMINATION OF CONTRACT.

ART. X. Upon the completion of this contract, whether by the contractor or by the United States, or the termination of the contract without further performance thereof in accordance with Article IX hereof, or from time to time during the performance of this contract, the contractor agrees to make such disposition, at the expense and for the account of the United States, of unused material, supplies, and the lime, scrap, waste, or defective material, rejected articles, and generally all property which shall have been paid for by the United States, as the contracting officer shall in writing direct; such direction.

to be given during the performance of this contract or within 60 days after its completion. If permitted by law, any of the foregoing property may be sold to the contractor by the contracting officer upon terms mutually agreeable. If the contractor is thereby required to store such property, the cost of storage and all costs incident thereto shall be from time to time paid to the contractor by the United States. If land and buildings of the contractor are used for storage, the United States shall pay to the contractor a reasonable rental therefor, as may be mutually agreed upon, or if agreement is impossible, as may be fixed by the chief of ordnance, but in no event to exceed 10 per cent per annum of the cost of such land and buildings to the contractor, or a proportion of such cost according to the proportion of land and buildings used. It is agreed that the foregoing provisions as to rental shall apply to any storage of the articles in accordance with Article III hereof.

MATERIALS, ETC., TO BE KEPT UNENCUMBERED.

ART. XI. The contractor agrees not to create, or suffer to be created, any mortgage, lien, pledge, or other encumbrance upon any of the increased facilities, materials, supplies, or other property for which the United States shall pay, and which is in the possession of the contractor, and further agrees not to permit or suffer any attachments, mechanics' liens, or other liens or encumbrances to attach to such property or the articles, and in the event that any such attachment, lien, or encumbrance is created, agrees to pay and discharge the same, to the end that all property which shall have been paid for by the United States shall be and remain free and unencumbered property of the United States, provided that nothing in this article contained shall require the contractor to make any such payments so long as he shall in good faith contest the validity of the claim or claims therefor and so long as the delivery of the articles is not interfered with. The contractor shall give due notice that all property which shall have been paid for by the United States belongs to the United States.

CONTRACTOR NOT TO PUBLISH INFORMATION.

ART. XII. The contractor agrees to refrain from exploiting by publicity or otherwise its product manufactured in pursuance of this contract, and of any and all contracts and orders heretofore or hereafter entered into or placed with the contractor, and its products manufactured under any arrangement with the United States whatsoever, and the contractor agrees to refrain from in any way publicly advertising the fact of the manufacture of said product, and to refrain from publishing or causing or allowing to be published any photographs, drawings, written or printed matter, or other data disclosing the articles or parts of the same, or the process of manufacture, or the plans of the Government, or any information concerning the same or which shall result in such disclosure. The contractor agrees to submit to the Chief of Ordnance all pictures or printed matter showing, describing, or in any way relating to the progress of the work to be prosecuted under this contract and under any and all contracts and orders heretofore or hereafter entered into or placed with the contractor, or under any arrangement with the United States whatsoever which he may desire to publish, before publishing the same, and the Chief of Ordnance may permit such publication and shall have the right to censor the same. The contractor further agrees to refrain from giving any information whatsoever relative to any experiments that may be carried out by it at the instance of the United States.

CONTRACT NOT ASSIGNABLE.

ART. XIII. This contract shall not, nor shall any right to receive payment or any other interest therein, be transferred or assigned by the contractor to any persons, firms, or corporations.

LABOR DISPUTES.

ART. XIV. In the event that labor disputes shall arise directly affecting the performance of this contract and causing or likely to cause delay in making the deliveries upon the date or dates specified the contractor shall address a written statement thereof to the Chief of Ordnance for transmission to the Secretary of War with the request that such dispute be settled, providing such information and access to information within the control of the contractor as

the Secretary of War shall require, and it is stipulated and agreed that the Secretary of War may thereupon settle or cause to be settled such dispute.

EIGHT-HOUR LAW, NAVAL APPROPRIATION ACT, ETC.

ART. XV. This contract is subject to, and the contractor agrees to comply with, the provisions of the naval appropriation act approved March 4, 1917, and the President's Executive order dated March 24, 1917, which suspends the eight-hour law approved June 19, 1912, and brings the proviso contained in said naval appropriation act into effect. Said Executive order provides as follows:

"Under authority contained in the naval appropriation act approved March 4, 1917 (Public, 391, 64th Cong.), whereby it is provided—

"That in case of national emergency the President is authorized to suspend provisions of law prohibiting more than eight hours of labor in any one day of persons engaged upon work covered by contracts with the United States:

"Provided further, That wages of persons employed upon such contracts shall be computed upon a basic day rate of eight hours' work with overtime rates to be paid for at not less than time and one-half for all hours' work in excess of eight hours."

"It is hereby ordered that the provisions of the act approved June 19, 1912, limiting the hours of daily service of mechanics and laborers on work under contracts to which the United States is a party are suspended with respect to all contracts for ordnance and ordnance stores and other military supplies and material, contracts for buildings under construction or to be constructed at the arsenals, and contracts for fortifications work during the pending emergency and until further orders.

"This order shall take effect from and after this date.

"WOODROW WILSON."

"The WHITE HOUSE, March 24, 1917."

PATENTS.

The United States assumes responsibility for patent rights as to articles but not as to methods of manufacture.

ART. 15½. The crossing out of the printed words in subdivisions 2 and 3 of article 4, part of line 2 and the remainder of article 7, and the words "Such per cent of cost payment is subject to such addition or reduction, depending on the difference between estimated and actual cost of articles which have been delivered and accepted as may be determined in accordance with subdivision (a) of paragraph (2) of Article IV hereof," and the insertion of the words "sublet parts" in article 9, was done prior to signing.

PROTECTION OF PLANT AND WORK.

ART. XVI. In addition to the ordinary precautions heretofore adopted by the contractor for the guarding and protection of his plant and work, the contractor shall provide such additional watchmen and devices for protection of his plants and property and the work in process for the United States against fire, espionage, acts of war and of enemy aliens as may be required by the contracting officer. The contractor shall, when required, report to the contracting officer the citizenship, country of birth, or alien status of any and all his employees. When required by the contracting officer the contractor shall refuse to employ, or if already employed, forthwith discharge from employment and exclude from his works any person or persons designated by the contracting officer for cause as undesirable for employment in a plant engaged on work for the United States. The United States shall pay to the contractor as part of the cost of the articles any expenses incurred by the contractor which shall be determined by the contracting officer to be directly caused by the requirements of this article.

RESTRICTION UPON CHILD LABOR.

ART. XVII. No work under this contract shall be performed by the labor of any child under the age of 14 years, nor between the ages of 14 and 16 years who is employed for more than eight hours in any work day or more than six days a week or before 6 o'clock a. m. or after 7 o'clock p. m.

OFFICIALS NOT TO BENEFIT.

ART. XVIII. No Member of or Delegate to Congress or Resident Commissioner is or shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom, but this article shall not apply to this contract so far as it may be within the operation or exception of section 116 of the act of Congress approved March 4, 1909 (35 Stats., 1109).

NO PRISON LABOR.

ART. XIX. No person or persons shall be employed in the performance of this contract who are undergoing sentences of imprisonment at hard labor which have been imposed by the courts of the several States, Territories, or municipalities having criminal jurisdiction.

DOUBTS OR DISPUTES TO BE REFERRED TO THE CHIEF OF ORDNANCE.

ART. XX. Except as this contract shall otherwise provide, any doubts or disputes which may arise as to the meaning of anything in this contract shall be referred to the Chief of Ordnance for determination. If, however, the contractor shall feel aggrieved at any decision of the Chief of Ordnance upon such reference, he shall have the right to submit the same to the Secretary of War, whose decision shall be final.

NOTICE.

ART. XXI. Notice under this contract shall be deemed to have been sufficiently given to and received by the contractor when mailed in a sealed, postpaid wrapper addressed to Otis Elevator Co., Eleventh Avenue and Twenty-sixth Street, New York City.

EXECUTION.

ART. XXII. This contract may be executed in any number of counterparts, all of which together shall constitute one original contract. Wherever the term "contracting officer" is used in this contract the same shall be construed to mean the contracting officer executing this agreement, his successor or successors, his duly authorized agent or agents, or anyone designated by the Chief of Ordnance from time to time to act as contracting officer hereunder.

In witness whereof the party of the first part has caused this contract to be executed by its proper officers thereunto duly authorized, and the United States of America has caused this contract to be executed by the undersigned contracting officer thereunto duly authorized.

OTIS ELEVATOR CO.,
By WM. D. BALDWIN,
Chairman of the Board.

Attest:
THOS. W. LOGAN,
Secretary.

WILLIAM WILLIAMS,
Lieutenant Colonel, Ordnance Department, United States Army,
Contracting Officer.

Witnesses:
F. FURHOW.
R. W. DAIDNE.
E. NEWMAN.

ORDER NO. CF388—OTIS ELEVATOR CO. AND UNITED STATES OF AMERICA, ORDNANCE DEPARTMENT, UNITED STATES ARMY—FIRST SUPPLEMENTAL CONTRACT ON FOURTH AMENDMENT—JULY 31, 1918.

This supplemental agreement, entered into this 31st day of July, 1918, between the Otis Elevator Co., a corporation organized and existing under and by virtue of the laws of the State of New Jersey, and having its principal place of business at Eleventh Avenue and Twenty-sixth Street, in the City of New York, State of New York (hereinafter called the contractor), party of the first part,

and the United States of America, by William Williams, Lieutenant colonel, Ordnance Department, National Army, acting by direction of the Chief of Ordnance, United States Army, and under the authority of the Secretary of War, party of the second part:

Witnesseth:

Whereas the parties hereto entered into agreement, No. CF388, dated December 22, 1917, for 1,039 recuperators, for which the United States agreed to pay the cost of manufacture plus a fixed profit, supplemented by a first supplemental agreement dated April 29, 1918; and

Whereas said articles are to be manufactured under license from Schneider et Cie., Paris, France, and it is desired to amend and supplement said agreement, in the interest of the United States, so as to provide that the contractor shall not have the right to manufacture said recuperators except in the performance of this contract; and

Whereas it is further desired to supplement and amend said contract so as to provide that the United States, instead of the contractor, shall furnish the reservoir cap plates engraved, such amendment being in the interest of the United States, as the United States can furnish such cap plates more economically.

ARTICLE I. The parties hereby agree that the recuperators herein contracted for are manufactured under a license from Schneider et Cie., Paris, France, and each recuperator so manufactured shall be designated by the name of Schneider; that all drawings, designs, and data relating to letters patent owned by Schneider et Cie. furnished to the contractor for use in the performance of this contract shall be surrendered by the contractor at the completion thereof, and the contractor agrees to make no use of such drawings, designs, or data, except in the performance of this contract. Nothing in this contract shall be construed as giving the contractor the right to manufacture recuperators, or any parts thereof, of the design or construction covered by said letters patent, other than the recuperators herein contracted for; and the contractor agrees that except in the performance of this contract it will not manufacture recuperators of said design or construction for any purpose whatsoever without the written permission of Schneider et Cie.

ART. II. The United States will furnish the contractor with sufficient reservoir cap plates (engraved) as shown on drawing 38259-4 for the 1,039 recuperators contracted for, and the contractor is hereby released from providing such cap plates.

ART. III. Except as herein modified, all the terms and conditions of the agreement dated December 22, 1917, as supplemented by first supplemental agreement, dated April 29, 1918, shall remain in full force and effect.

In witness whereof, the parties hereto have caused this contract to be executed under their seals and by their duly authorized officers, the day and year first above written.

OTIS ELEVATOR Co.,

Contractor,

By WM. D. BALDWIN,

Chairman of the Board.

UNITED STATES OF AMERICA,

By WILLIAM WILLIAMS,

Lieutenant Colonel, Ordnance, National Army.

Witnesses:

F. C. FURLOW.

R. W. GARDNER.

MADGE PORTER.

ORDER NO. WAR-ORD. CF-388—OTIS ELEVATOR Co. AND UNITED STATES OF AMERICA, ORDNANCE DEPARTMENT, UNITED STATES ARMY—SECOND SUPPLEMENTAL CONTRACT, DATED OCTOBER 16, 1918, AMENDMENT No. 6.

This second supplemental contract, made this 16th day of October, 1918, between the Otis Elevator Co., a corporation organized and existing under and by virtue of the laws of the State of New Jersey, and having an office at

Eleventh Avenue and Twenty-sixth Street, New York City, N. Y., party of the first part (herein after called the contractor), and the United States of America, and by J. H. Watkins, lieutenant colonel, Ordnance Department United States Army (hereinafter called the contracting officer), acting by direction of the Chief of Ordnance, United States Army, and under authority of the Secretary of War, party of the second part:

Witnesseth:

Whereas the parties hereto entered into a certain contract, numbered War-Ord. CF-388, dated the 22d day of December, 1917, for 1,039 recuperators for 240 mm. Howitzers, Model of 1913 (Schneider), at cost plus a fixed profit of \$1,250 for each unit, delivered f. o. b. Chicago, Ill., and for increased facilities at the estimated cost of \$1,650,000; and

Whereas the said contract was supplemented and amended by a first supplemental contract, dated July 31, 1918, which provided that the contractor should not have the right to use the letters patent of Schneider et Cie., except in the performance of the said contract; and

Whereas the sufficiency of the said increased facilities were underestimated and the additional increased facilities hereinafter mentioned are necessary in the performance of the said contract; and

Whereas the said parties now desire to further supplement and amend the said contract in the interest of United States, as hereinafter set forth, so as to provide for a lean-to extension and entrance shelter and firing room;

Now, therefore, in consideration of the mutual agreements herein contained, the said parties have agreed, and by these present do agree, to and with each other, as follows:

ARTICLE I. The contractor shall provide, erect, and install at its plant at Chicago, Ill., a lean-to extension for Type 4 machine, approximately 94 feet in length by 8 feet in width, and an entrance shelter and firing room in front of boilers, approximately 22 feet in length by 8 feet in width (all of which are hereinafter called the additional increased facilities). The total estimated cost of the said additional increased facilities is the sum of \$5,500, and such estimated cost shall not be exceeded unless additional cost is authorized in writing by the Chief of Ordnance. The approval of the Chief of Ordnance of all such additional increased facilities, the plans and specifications therefor, and the source of supply and the price to be paid for all the materials and labor in connection therewith shall be a prerequisite to any obligation on the part of the United States to reimburse the contractor for expenditures made or obligations incurred on account of such additional increased facilities.

ART. II. The United States shall pay the cost of the said additional increased facilities in the same manner as provided in paragraph 3 of the addendum to Article IV of the said original contract for the payment of increased facilities, and the provisions of paragraph 7 of the said addendum to Article IV of the said contract with respect to the title to the increased facilities vesting in the United States, the nature thereof, the removal of the increased facilities, shall also apply to the additional increased facilities herein provided for.

ART. III. The contractor agrees to protect and save harmless the United States from any and all claims that may be made by or on behalf of any mortgagee, trustee, bondholder, or lienor to any building, structure, machinery, equipment, or other property that may, under the provisions of this contract be placed upon land subject to a mortgage, lien, or deed of trust.

ART. IV. Wages of laborers, operatives, and mechanics doing any part of the work in connection with the additional increased facilities contemplated by this supplemental contract, in the employ of the contractor, shall be computed upon a basic day rate of eight hours work, with overtime rates to be paid for at not less than time and one-half for all hours in excess of eight hours. Compliance by the contractor with the provisions of this article shall be of the essence of the contract.

NOTE.—See act of June 19, 1913 (37 Stat., 137), act of March 4, 1917 (39 Stat., 1168, 1192), and Executive order of March 24, 1917. Provisions recommended by War Labor Policies Board and prescribed by order of Secretary of War, dated August 30, 1918.

ART. V. Except as herein modified, all the terms and conditions of the said contract dated December 22, 1917, as supplemented and amended by the said supplemental contract dated July 31, 1918, shall remain in full force and effect.

In witness whereof, the parties hereto have caused this supplemental contract to be duly executed (in triplicate) by their duly authorized officers the day and year first above written.

Attest:

OTIS ELEVATOR CO.,
Contractor.

By F. C. FURLOW.

UNITED STATES OF AMERICA,

By J. H. WATKINS,

Lieutenant Colonel, Ordnance Department, United States Army,
Contracting Officer.

Witnesses:

THOS. M. LOGAN, *Secretary.*

T. C. AMOS.

Mr. GRAHAM. When did you say you went on to this particular work, Mr. O'Hayer?

Mr. O'HAYER. August, 1918.

Mr. GRAHAM. Up to that time how much of the work had been completed?

Mr. O'HAYER. None of it.

Mr. GRAHAM. What was the condition of the work at the works, Mr. O'Hayer, when you got there?

Mr. O'HAYER. Well, they were all working downstairs, but how much of that work had been completed I could not answer; a certain percentage of work.

Mr. GRAHAM. Where is the factory?

Mr. O'HAYER. At Fifteenth and Sixteenth and Laffin Streets, two buildings.

Mr. GRAHAM. How extensive a building is it?

Mr. O'HAYER. The Fifteenth and Laffin Street building is around 350 feet long by 90 feet to 100 feet wide; the Sixteenth and Laffin Street property is probably a little longer and about, maybe, 400 feet long, and about the same width.

Mr. GRAHAM. Now, those recuperators that this company was making were to be put into the carriages the Standard Steel Car Co. was making?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Your work was mostly office work?

Mr. O'HAYER. Entirely.

Mr. GRAHAM. But there went through your office from time to time details of the expenditures on the plant?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Can you tell us how much the Government has expended on this plant up to this time?

Mr. O'HAYER. The total amount?

Mr. GRAHAM. Yes, sir.

Mr. O'HAYER. \$2,960,242.82.

Mr. GRAHAM. You mean that is the total expenditures of all kinds?

Mr. O'HAYER. Of all classes; yes, sir.

Mr. GRAHAM. Well, there was originally allotted to this job something like \$14,000,000.

Mr. O'HAYER. Yes, sir; \$12,850,000, I believe.

Mr. GRAHAM. What are those recuperators like; how large are they?

Mr. O'HAYER. I can not tell you the size or dimensions of them; 6 feet long or 7 feet long and about 3 feet wide.

Mr. GRAHAM. What does the recuperator consist of?

Mr. O'HAYER. A long piece of steel with chambers in it for the use of the carriage; it is something I never paid much attention to.

Mr. GRAHAM. Well, it is like a check spring on a door, isn't it.

Mr. O'HAYER. To take care of the recoil of the gun, I understand.

Mr. GRAHAM. A large piece of steel bored out—

Mr. O'HAYER (interposing). Bored out; yes, sir.

Mr. GRAHAM (continuing). And then these cylinders fitted into it?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. There was a supplemental contract made on July 18, 1918, which we have introduced into the record, which provided, as I remember it, for the putting of a name on the cap plate; to put the name of Schneider on them. And then there was another agreement made in September 16, 1918, making some other changes. Do you know what the reason for making that second supplemental contract was?

Mr. O'HAYER. No; I do not. I am not familiar with that.

Mr. GRAHAM. Up to the time of the signing of the armistice had any completed recuperators been made at that shop?

Mr. O'HAYER. Up to the time of the armistice?

Mr. GRAHAM. Yes.

Mr. O'HAYER. I believe there were; how many had gone out, I could not say.

Mr. GRAHAM. We have been informed that the first one was received by the Standard Steel Car Co. about the first of the year, a good while after the armistice; do you know any thing about that?

Mr. O'HAYER. I am not familiar with the shipments; I could not answer.

Mr. GRAHAM. What was that two million and odd dollars spent for?

Mr. O'HAYER. For direct labor, \$546,137.37; direct material, \$373,517.03; overhead expenditures and indirect materials, \$926,363.30; administrative and general expense, \$221,867.91. Those are the items of cost.

Mr. GRAHAM. There were no increased facilities?

Mr. O'HAYER. Now, I will give you the increased facilities for the three contracts.

Mr. GRAHAM. Now, the contracts we are speaking about, Mr. O'Hayer, is the contract for the 240 millimeter recuperators, the contract at Yonkers for the making of tools and the contract for spare parts. Those are the three you have in mind?

Mr. O'HAYER. Yes, sir; CF 582, 385, and this one is 388.

Mr. GRAHAM. Yes; as to Chicago, and the others at Yonkers, one for spare parts and one for tools?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Those were all merged into one settlement?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Proceed.

Mr. O'HAYER. Expenditures for increased facilities on contract 385, \$546,075; on CF 582, \$202,130; and on contract 388, \$882,389.37, making a total expenditure of \$1,630,594.37.

Mr. GRAHAM. For increased facilities?

Mr. O'HAYER. For increased facilities.

Mr. GRAHAM. Now, is there anything else except increased facilities; what is the total?

Mr. O'HAYER. \$2,960,492.37; that takes care of the total expenditures and increased facilities.

Mr. JEFFERIS. That is Chicago?

Mr. O'HAYER. Chicago and the parts made in Yonkers.

Mr. GRAHAM. Does it take care of all the expenses on all three contracts?

Mr. O'HAYER. All expenses on all three contracts.

Mr. GRAHAM. What do the special facilities consist of here?

Mr. O'HAYER. Machinery and rehabilitation of the buildings.

Mr. GRAHAM. Have you an itemized statement of it?

Mr. O'HAYER. Yes, sir; buildings, \$165,057.34; machinery, \$664,905.51; and administrative expense, \$27,614.89; and the labor expense of \$24,700.01; and temporary buildings, \$111.62; that is the total on the contract.

Mr. GRAHAM. What did they build out there; did they build some buildings?

Mr. O'HAYER. A small temporary lean-to is all I know of that was built to house some machinery.

Mr. GRAHAM. They used the plant they already had?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Did they buy machines of any kind?

Mr. O'HAYER. Considerable.

Mr. GRAHAM. What sorts of machines were they?

Mr. O'HAYER. I could not answer that; I am not a mechanical man.

Mr. GRAHAM. Do you have a list of them?

Mr. O'HAYER. I have a list of machines that have been purchased, yes; a description of every machine purchased.

Mr. GRAHAM. Now, did they furnish any special facilities at Yonkers?

Mr. O'HAYER. They are taken care of in this allotment; they are in the voucher there.

Mr. GRAHAM. That is all cleared up?

Mr. O'HAYER. That is cleared up.

Mr. GRAHAM. So on the tools would be in the list here?

Mr. O'HAYER. The tools would be in the list.

Mr. GRAHAM. Well, were some of the tools which you used in the Chicago job made at the Yonkers plant?

Mr. O'HAYER. Yes; I understand so; and the machines made there also for the completion of this contract.

Mr. GRAHAM. I assume—now, let me see if I am right about this; the company made its profit on the machines it made at Yonkers; received a profit, is that right?

Mr. O'HAYER. I should think they received a profit.

Mr. GRAHAM. Now, when those came down here into special facilities, did the company in the settlement get any allowance for furnishing them and building them?

Mr. O'HAYER. Only the stated price they billed them at.

Mr. GRAHAM. Well, in figuring the compensation was there any allowance made for that; what were the items of the settlement as finally made; do you know?

Mr. O'HAYER. I do not know: I have not seen a copy of the settlement at all.

Mr. GRAHAM. Well, we have not either; we have not been able to get it. We have some papers here, but not the award. Do you know whether it has been settled?

Mr. O'HAYER. No; I don't know that only unofficially.

Mr. GRAHAM. In connection with the testimony here I offer a copy of the staff report of the cannon and cartridge committee in the matter of contracts CF-388.

(The staff report referred to is as follows:)

MINUTES OF THE MEETING OF THE CHICAGO DISTRICT CLAIMS BOARD HELD
OCTOBER 10, 1919—OTIS ELEVATOR Co., CF-388.

Mr. Russell was not present during the hearing of this claim.

The SECRETARY. I present the claim of the Otis Elevator Co., of Chicago, Ill., under War Order CF-388, which, with its supplementary contracts, provided for the manufacture of 1,039 recuperators for 240 mm. howitzer carriages.

I call attention to the fact that the total allotment made for this contract was \$14,286,250. There was also an allotment made for increased facilities in the amount of \$1,722,205. About one-half of the appropriation for increased facilities was expended.

Deliveries of recuperators were made during the early part of this year to the extent of 277. This left a little over 73 per cent of the contract uncompleted. This was a contract to be executed at cost plus and fixed profit and all the usual items of material, labor, and overhead have been paid for by voucher.

The claim as submitted by the contractor in the amount of \$390,697.22 covers 21 items in classification of claims for other compensation. Of these 21 items, 11 covered items of actual expenditure, which have been verified by your committee, consisting of Col. Clark and Mr. Robinson, and have been checked by the auditors and with two minor corrections found by the auditors are recommended as presented by the contractor.

Unless you wish me to review each one of these items, which are just reimbursements for expenditures, I will take up the other items, the merits of which have been thoroughly investigated, and they are clearly and concisely set forth in your committee's staff report. These items are as follows:

First, an item of 5 per cent, which they claim for services in procuring certain raw materials. Your committee considers that the allowance of payment for expenses, all of which have been made by voucher payment, compensates them for the services; therefore, this item was eliminated, the contractor concurring.

Mr. LYONS. What is the amount?

The SECRETARY. The amount of that was \$6,315.50. This claim has really not come to me from Mr. Palmer's office in the usual fashion and therefore I did not have a chance to make out a detail sheet. There are two or three copies of the staff report and they can be followed as I go over this matter. That was item "a" I was just speaking of.

Item "b" is a properly admitted item and covers 10 per cent of materials and work in process on parts of recuperators which were in production at the time the 277 completed units were delivered. This item has been approved by your committee and there was specific provision in the second supplemental contract which admitted such an item as this.

Item "f." This item, for rehabilitation of several departments of the Yonkers works of the Otis Elevator Co. which had been equipped and arranged for the execution of this contract, includes the cost of preparation, which is the removal of the elevator machinery from those departments, and the installation of the Government paid-for increased facilities. Also for rearranging these departments for the execution of their own elevator work which has been done since the completion of the work on the 277 recuperators delivered. A small portion of this final cost had to be estimated, but it was checked over very carefully by your committee and they have done that in what appears to be a very conservative manner and the final amount arrived at, only a small portion of which had to be investigated, and has been agreed to by the investigators and has been accepted by the contractor. Therefore, this item "f" in the amount of \$18,185.54 is recommended as an allowable item.

Item "g": This item covers interest accruing from deferred payments which were finally paid by voucher; that is, the Otis Elevator Co. made payments on

increased facilities and their work as it became due, and some little time elapsed before the vouchers were paid covering reimbursement of the Otis Elevator Co., and this item of interest has been admitted in the claim of this cost-plus contract. This item amounts to \$6,259.70 out of \$6,364.59, making a deduction of \$104.59. There were only two changes made in any of these items that are considered due to the audit. This one and one other of a small amount which is similar to this one.

Item "h": In compiling the estimated cost of these recuperators, this item "h" being for the rental of the Chicago works, based up a \$50 per recuperator item, was evidenced in this manner. When the contract was first under consideration at Washington it was determined that a fixed profit of \$1,200 per recuperator should be allowed to this contractor on the basis that the estimated cost would be about \$12,000; that is, 10 per cent. Then the question was raised as to remuneration for the use of this company's plant in the matter of rental and the fixed profit was raised from \$1,200 to \$1,250, thus establishing a \$50 per unit rental charge. This amounted to some \$38,100, and it was estimated at that time that the amount of time that would be required for the execution of this order would be 11½ months. Your committee, upon reviewing it, feels that they were properly reimbursed for the whole period, which is 19 months, covered in the execution of this contract; that is, up to the latter part of June of this year. There has, however, been an occupancy of the plant since that time in the months of July, August, September, and October, and will be in reality entirely devoted—that is, the plant will be entirely devoted—the operations of the plant will be entirely devoted—to the Government's use, in that the increased facilities and the materials can not possibly be removed before the latter part or the end of October, and in considering this contingency your committee has recommended that an additional remuneration be allowed to the contractor for the use of the plant during these four months, and they have made this upon the basis of 10 per cent per annum of the cost valuation as per Article X of the contract, and makes the addition of \$17,933.32 for the four months in question, making a total for these items of \$56,033.32.

Item "i": For the storage of the Government-owned tools and materials at the Yonkers plant a claim of \$2,215 has been made. This covers the period from May to September of this year, at which time the occupancy was terminated. Your committee considers this a justified claim and recommends its allowance.

Item "j": This covers 8 work-setting gauges which were required for use in the execution of this contract, and the amount of \$1,547.68 has been investigated and audited and recommended for approval by your committee. There is one question right there that Col. Clark can answer as to why these were not paid by voucher and now appear in the claim.

Col. CLARK. The Otis Elevator Co.'s purchase order R-200, covering the necessary work-setting gauges for 52 of the so-called No. 5 boring machines installed at the Chicago works, and which was approved by the production officer stationed at the plant, inadvertently specified 44 sets of gauges rather than the 52 which were required. So the Otis Elevator Co. simply went ahead and equipped all of the 52 boring machines with the necessary work-setting gauges and are now entering a claim for the additional 8 gauges which were not so specified in the order, in error.

The SECRETARY. Item "k": Allowance has been made and paid for by voucher for the cost of moving certain employees of the company, employees whose services had been proven and were very valuable men, to take charge of the production, from the plant in the East to this plant in Chicago. This amount of \$23,261.11 must be duplicated as an obligation of the Otis Elevator Co. in returning them to their former homes, and your committee therefore believes that this is a just charge in the claim and recommends its allowance.

Under item "p," the contractor has made claim for 10 per cent on the difference between the estimated cost and the actual cost on the 277 recuperators which were finished. This amount was something over \$96,000. Notwithstanding the fact that the committee believes these recuperators were produced in a very economical manner and that the contractor did splendidly in the production of them at a low figure, they believe the fixed profit as arranged covers the profit to which they are entitled for this reason, that in estimating the cost of these recuperators there was no real precedent upon which to make the basis and the estimated cost was quite liberal.

Col. HUGHES. There was no clause in the contract under which it could be paid.

The SECRETARY. There was no clause in the contract.

Col. HUGHES. We did that whenever it was necessary that the contractor do the work.

The SECRETARY. It is probable that there was no such provision as that because of the liberal allowance of the estimated cost, so that this item has been entirely eliminated from the claim.

Item "q": The contractor has asked to be reimbursed at the rate of 10 per cent on the unamortized portion of the cost of certain standard machine tools, special and single-purpose tools, and jigs, fixtures and small tools purchased on the outside. This really covers compensation for services in connection with the designing, procuring, and assembling of the various manufacturing facilities to apply in the execution of the contract, and as it is assumed by your committee that the fixed profit of \$1,250 per unit was intended to compensate the contractor for this portion of the undertaking as well as the other portion, it was thought proper to admit this item upon the unamortized portion of these facilities; furthermore, the "Additional terms and conditions" attached to the second supplemental contract, paragraph G, justifies this allowance.

Item "r": Contractor has asked for additional compensation for special machine tools manufactured for the execution of this contract, together with others, having amortized the proper portion to the extent of the recuperators completed on this contract, viz, 27 per cent of the entire contract. On this item they ask for a little over \$84,000. Your committee has investigated this item very thoroughly and recommends that it be not allowed. They had first considered that as it was stated that the prices paid by the United States for these machine tools included only the factory cost, including the factory overhead, but did not include the administrative overhead, that the contractor might be entitled to further compensation; but in order that this might be fully determined your committee went very thoroughly into the matter and brought out that the administrative overhead had been included in the cost which figured up some \$632,609.26 and that they had been reimbursed to the extent of \$711,265, indicating a profit of approximately 14 per cent upon the actual expenditures in connection with this item. Therefore they do not recommend that this be allowed and have eliminated it.

In the matter of deductions, there is no claim of the United States against the contractor incident to the execution of the order; nor is there any advance from the War Credits Board. The only deductions from the gross claim as recommended in the amount of \$223,063.03 is the deduction of the salvage offer of \$47,862.10. This salvage offer covers certain material which had cost the Government \$224,547.78. This salvage, of course, figures out a little over 20 per cent of the initial cost of the entire properties involved therein; but these properties might be divided very properly into two classes—machine tools and the expenditures upon improving and adapting the Chicago plant to this work. Now, on the machine tools they have offered from 50 per cent up to 69.7 per cent of the initial cost for all the tools, excepting two planers. These two planers they had in their Buffalo plant and they were practically fitted up for planing their gauges for elevators. They had to take these two planers and entirely refit them to adapt them for use in connection with the execution of this recuperator contract. This cost them quite a bit of money. Now, in order that they may make use of them for their own work again, they must move these planers, discard the special equipment and parts on them adapting them for the recuperator work, which of course are of absolutely no value to them in their commercial business, and then refit them with the parts for planing their gauges. Therefore on these two planers they make a salvage offer equal to only 37 per cent of the cost of the planers and fitting them up for the work in hand. The other portion of the salvage offer is for the fitting up of the Chicago plant for this work, which cost \$165,000. Their offer on this is only \$15,000, which is only 9.1 per cent. This might seem an unduly low offer for these facilities. The reason a greater allowance can not be made by the contractor is on account of the fact that this original cost of \$165,000 was incurred in repairs and alterations of the building which your committee finds are of no tangible value to the contractor either for use or in connection with any rental or sale of these buildings, which proposition they might undertake.

In other words, while these expenditures were made to fit the plant for the execution of this contract, it did not add any real value to the property for future use. If the United States should undertake to remove these chambers

and to put the plant back into the condition it was in in the beginning, the salvage on any parts removed would not be equal to the cost of removing, as they are so interwoven with the whole plant. Your committee therefore recommends that the gross amount in the sum of \$223,063.03 be allowed and that the salvage offer of \$47,862.10 be accepted, and that a net award of \$175,200.93 be allowed to the Otis Elevator Co. in settlement of this claim under CF-388.

Mr. MITCHELL. Is that acceptable to the Otis people?

The SECRETARY. The committee has communicated with the headquarters in New York and received the assurance that while they did not particularly enjoy some of the deductions which have been made, it was entirely acceptable to them.

Mr. LYONS. Did the special committee work together on this?

Col. CLARK. The special committee was originally composed of Capt. Daerr and Mr. H. G. McElwee, representing the Government in the cost accounting department, and Mr. Christoperson and Mr. Hammond, representing the Otis Elevator Co. Their services as a committee extended throughout the period of investigation and audit. The establishing of principles on which the recommendations have been made have been controlled entirely by the Ordnance Department, without reference to the contractor.

Mr. LYONS. They are reconciled to it?

Col. CLARK. The president said that in view of obtaining prompt settlement they would accept the amount recommended by the committee.

Mr. LYONS. I move the amount be made and salvage offer accepted.

Mr. MITCHELL. I second that.

Col. HUGHES. It is moved and seconded that an award of \$223,063.03 be made to the Otis Elevator Co. under contract CF-388, and that the salvage offer of \$47,862.10 be accepted and deducted from the gross award, making a net award of \$175,200.93, and the contracting officer is hereby directed and authorized to execute settlement contract and other documents accordingly.

(The motion was unanimously carried.)

The SECRETARY. I will prepare an award accordingly.

(On motion, the meeting adjourned.)

Respectfully submitted.

Secretary.

STAFF REPORT OF CANNON AND CARRIAGE COMMITTEE.

Contractor, Otis Elevator Co.; address, Eleventh Avenue and Twenty-sixth Street, New York, N. Y.

War order No. CF-388 (cost plus fixed-profit contract).

Articles, 1,039 recuperators for 240 m/m Howitzer carriage, model 1918, Schneider, with tools and accessories.

Value of Contract: \$14,286,250 recuperators; \$1,722,205 increased facilities.

Expenditures: \$2,556,333.74 recuperators (including 10 per cent of fixed profit retained); \$882,244.73 increased facilities.

Unexpended balance: \$11,729,916.26 recuperators; \$839,960.27 increased facilities.

	Contractor's claim.	Staff changes.	Committee recommendation.
CLASSIFICATION OF CLAIMS.			
1. Unworked direct materials.....	None.	None.	None.
2. Indirect materials.....	None.	None.	None.
3. Worked direct materials.....	None.	None.	None.
4. Direct labor and overhead expense.....	None.	None.	None.
5. Commitments for materials or service.....	None.	None.	None.
6. Claims for other compensation:			
(a) 5 per cent on unworked materials on hand at Yonkers and Chicago works.....	\$6,315.50	—\$6,315.50	.....
(b) Deduction from invoices paid Presto Machine Co. and E. W. Iles Mfg. Co. for special small tools, due to overtime and failure to locate some cost cards.....	797.85	None.	\$797.85
(c) Reimbursement for small tools furnished in Yonkers prior to passing of requisitions through Stores Section.....	1,827.19	None.	1,827.19
(d) 10 per cent on partly finished and finished parts made by us in Yonkers and Chicago works in excess of 277 recuperators furnished.....	31,606.57	+51.95	31,658.52
(e) Difference between actual weight and theoretical weight by the Government on steel borings and turnings sold by Yonkers works.....	79.95	—39.97	39.98
(f) Rehabilitation of recuperator departments in Yonkers works for the resumption of elevator business.....	18,185.54	None.	18,185.54
(g) Interest on funds advanced by this company in Yonkers and Chicago.....	6,364.59	—104.89	6,259.70
(h) Rental of Chicago works based upon \$50 per recuperator on difference between 1,039 units ordered and 277 furnished—762 at \$50.....	38,100.00	+17,933.32	56,033.32
(i) Storage charge on Government tools and material remaining in Yonkers works.....	2,215.55	None.	2,215.55
(j) Work setting gauges for 52 No. 5 machines furnished on R200, being 8 in excess of approval order less 8 centering drill/jigs.....	1,547.68	None.	1,547.68
(k) Expense moving ordnance works employees to point of shipment estimated on moving expenses to Chicago originally paid by us.....	2,326.11	None.	2,326.11
(l) Restaurant loss being difference between expenditures and receipts by this company in maintaining restaurant subsequent to Mar. 1, 1919.....	194.87	None.	194.87
(m) Premium on fidelity bonds for assistant auditor and cashier not summarized by Government accountants.....	75.00	None.	75.00
(n) Salary of accountant (Miss Farrell), two weeks allowed as vacation.....	50.00	None.	50.00
(o) Shipping charges on material returned to Michigan Smelting & Refining Co. account of change in composition for which vendor was not responsible.....	55.04	None.	55.04
(p) 10 per cent on saving between estimated cost and actual cost on 277 recuperators produced.....	96,322.87	—96,322.87	.....
(q) 10 per cent on unamortized portion of cost of standard machine tools, special and single purpose tools, also special jigs, fixtures, and small tools purchased on outside.....	94,709.99	None.	94,709.99
(r) Additional compensation for special machine tools manufactured by us on CF-385, CF-522, R2293, and R3400 for CF-388 using 73 per cent of fair valuation having amortized 27 per cent.....	84,149.00	—84,149.00	.....
(s) Amount of carrying charges on Chicago plant to date of completion of all work estimated Nov. 1, 1919.....	5,581.23	— 128.96	5,452.28
(t) Traveling expenses M. H. Christopherson and F. P. Hamon, Chicago to Yonkers and New York on account of claim CF-388.....	192.69	None.	192.69
Additional expense items submitted following presentation of claim.....		+ 1,441.72	1,441.72
Total of contractor's claim.....	390,697.22	—167,634.19	223,063.03
CLASSIFICATION OF DEDUCTIONS.			
1. Claims of the United States against the contractor arising out of or incident to the prime contract, or for loans in connection therewith.....			.....
2. Amount due to the United States, being the fair value of property transferred to the contractor in this settlement (cost.....), Schedule B.....	None. (1)	None. (1)	None. (1)
3. Scrap, if retained by contractor from worked materials.....			
4. Allowance to the United States for fair value of property to be retained by contractor (sometimes called salvage value) (cost.....), (material, \$.....; (labor, \$.....)	47,862.10	None.	47,862.10
Total deductions.....	47,862.10	.....	47,862.10
Balance due contractor.....			175,200.93

¹ All worked material scrap property of United States in accordance with terms of contract.

Purchase cost of equipment and materials taken over by the United States: Equipment, none; materials, none; total, none.

CHICAGO, ILL., September 30, 1919.

From: Cannon and Carriage Committee.

To: Chicago District Claims Board.

Subject: Staff report of cannon and carriage committee on claim of Otis Elevator Co., New York, N. Y., account of suspension of War Order No. CF-388 covering 1039 recuperators for 240-mm. howitzer carriage, model 1918, Schneider, complete with tools and accessories.

GENERAL.

1. The claim of Otis Elevator Co., New York, N. Y., dated September 20, 1919, as compiled and presented in a gross amount of \$390,697.22, applies on War Order No. CF-388 covering recuperators for 240-mm. howitzer carriages, model 1918, Schneider, complete with tools and accessories, manufacturing activities on which were suspended June 24, 1919, following completion of 277 units, in accordance with instructions issued by the Chief of Ordnance and confirmed by suspension request dated March 27, 1919.

2. Following tentative negotiations during the latter part of 1917, procurement order dated December 22, 1917, was issued covering 814 recuperators to be manufactured on a cost plus fixed profit basis, involving an allotment in the amount of \$12,842,500, out of which \$1,650,000 was allocated to cover increased facilities, including the rehabilitation of their so-called "ordnance works" at Chicago, Ill., the remainder to cover costs of manufacture and fixed profit thereon.

3. The contract dated December 22, 1917, was amended to increase the number of recuperators from 814 to 1,039, involving an additional allotment of \$3,093,750 covering costs of manufacture and fixed profit on the additional 225 units specified. First supplemental contract dated July 31, 1918, providing for certain "reservoir cap plates," to be furnished by the United States, and second supplemental contract dated October 16, 1918, authorizing the expenditure of \$5,500 from the previous allotment to cover the cost of constructing an extension to the "ordnance works" at Chicago, Ill. An additional allotment of \$72,205 was later made to cover other rehabilitation expenses previously incurred.

4. Initial activities in preparation for the manufacture of recuperators under this contract were inaugurated in the early part of 1917, consisting of the development of various operation details and time studies, in the design and construction of a number of special machine tools under War Orders Nos. CF-385 and CF-522 at their Buffalo and Yonkers, N. Y., Harrison, N. J., and Hamilton, Ontario, plants, which were subsequently shipped to the "ordnance works," Chicago, Ill., for installation and operation.

5. During the early part of December, 1917, the work of rehabilitating the "ordnance works" at Chicago was commenced, followed by the installation of machine tools and other manufacturing equipment, which work was seriously interfered with by strikes of electricians and other union trades, involving jurisdictional controversies. Manufacturing operations on the recuperators were started during the early part of March, 1918, including fabrication of the smaller parts at the Yonkers, N. Y., plant which were shipped to Chicago for assembly with the sleighs and other larger components.

6. In compliance with instructions issued by the Chief of Ordnance and confirmed by suspension request dated March 27, 1919, the number of recuperators to be completed was reduced from 1,039 to 280, less any units rejected during final inspection, as a result of which manufacturing operations were suspended June 24, 1919, following completion of 277 units, deliveries being 4 in January, 14 in February, 36 in March, 67 in April, 80 in May, and 76 in June, all complete with tools and accessories in accordance with schedules previously established.

7. In as much as essentially all expenditures covering indirect facilities, direct and indirect materials, direct labor and overhead charges, and commitments for materials or service, have been paid Otis Elevator Co. by voucher, there remains but comparatively few items unpaid, all of which are set up under "claims for other compensation" on Finance Form No. 8, together with certain other claims covering additional compensation based upon the reduction in the number of recuperators delivered in accordance with suspension request above referred to.

UNWORKED DIRECT MATERIALS.

8. All unworked direct materials purchased by the Otis Elevator Co. for War Order No. CF-388 have been paid by voucher.

INDIRECT MATERIALS.

9. All indirect materials purchased by the Otis Elevator Co. for War Order No. CF-388 have been paid by voucher.

WORKED DIRECT MATERIALS.

10. All worked direct materials purchased by the Otis Elevator Co. for War Order No. CF-388 have been paid by voucher.

DIRECT LABOR AND OVERHEAD EXPENSE.

11. All direct labor and overhead expense purchased by the Otis Elevator Co. for War Order No. CF-388 have been paid by voucher.

COMMITMENTS FOR MATERIALS OR SERVICE.

12. All commitments for materials or service purchased by the Otis Elevator Co. for War Order No. CF-388 have been paid by voucher.

CLAIMS FOR OTHER COMPENSATION.

13. (a) *Five per cent on raw materials on hand at Yonkers and Chicago works.*—This portion of claim presented in an amount of \$6,315.50 covers compensation for services in procuring certain raw materials purchased by Otis Elevator Co. for the United States for use in the manufacture of recuperators, based upon 5 per cent of the purchase cost of materials on hand at their Yonkers, N. Y., and Chicago, Ill., works, as a result of the reduced number of units authorized and completed in accordance with suspension request dated March 27, 1919.

14. While your committee is of the opinion that the fixed profit paid Otis Elevator Co. for recuperators completed and delivered compensated them for service rendered in procuring various materials entered into the completed recuperators, and notwithstanding the fact that the materials involved in this claim comprise those which were not fabricated into completed recuperators, it is not considered that this item of claim can be allowed and your committee therefore recommends accordingly.

15. (b) *Deductions from invoices paid Presto Machine Co. and E. W. Iles Manufacturing Co. for special small tools, due to overtime and failure to locate some cost cards.*—This portion of claim presented in an amount of \$797.85 covers a differential between the amounts paid Presto Machine Co. and E. W. Iles Manufacturing Co. by Otis Elevator Co. and amounts which were originally approved by the cost accountant at Yonkers, N. Y., and paid Otis Elevator Co. by vouchers. These deductions were occasioned by evident failure to reconcile charges for overtime and to locate certain time cards; but as a result of subsequent investigation, it has been determined that the charges are legitimate and the amount of \$787.85 should be paid Otis Elevator Co. as reimbursement for deductions previously made.

16. (c) *Reimbursement for small tools furnished in Yonkers prior to passing of requisitions through stores section.*—This portion of claim presented in an amount of \$1,827.19 covers various items of small-tool equipment furnished by Otis Elevator Co. at their Yonkers, N. Y., plant and used in connection with the manufacture of recuperator component parts, and issued to the shop prior to the functioning of the stores and scrap section, in connection with which items of this character were handled on requisitions in the regular prescribed manner. The items and charges have been investigated and found properly chargeable against contract, and your committee therefore recommends that the amount of \$1,827.19 be allowed.

17. (d) *Ten per cent on partly finished and finished parts made by us in Yonkers and Chicago works in excess of 277 recuperators furnished.*—This portion of claim presented in an amount of \$31,606.57 covers compensation for work executed on incomplete recuperators in addition to the 277 units delivered, based upon 10 per cent of the costs of raw materials, direct labor, and overhead. The items, having been inventoried and audited, are considered properly payable in accordance with paragraph G of "Additional Terms and Conditions" attached to second supplemental contract, dated October 16, 1919.

and your committee therefore recommends that the amount of \$31,658.52 be allowed.

18. (e) *Difference between actual weight and theoretical weight by the Government on steel borings and turnings sold by Yonkers works.*—This portion of claim presented in an amount of \$79.95 covers a differential between the amounts of scrap sales to Otis Elevator Co. deducted from voucher covering the full amount of scrap taken from the records of the stores and scrap section at Yonkers less shrinkage losses, and the calculated weights of such scrap figured on the basis of 5 per cent, shrinkage loss on the total amount of turnings and borings involved. While the amount of this item is comparatively small, it is considered that the 5 per cent shrinkage loss claimed is excessive, and with due regard to the precedent established by allowances previously made, it is recommended that 2½ per cent be applied in this instance, and that an amount of \$39.98 be allowed.

19. (f) *Rehabilitation of recuperator departments in Yonkers works for the resumption of elevator business.*—This portion of claim presented in an amount of \$18,185.54 covers costs previously incurred and as estimated to cover the balance of work to be completed in connection with the rehabilitation of various departments at their Yonkers (N. Y.) plant, which were previously vacated for the purpose of installing Government-owned facilities required for the manufacture of recuperator component parts. Following an audit of the costs previously incurred, together with investigation of the work of rehabilitation yet to be accomplished, your committee is of the opinion that the amount of \$18,185.54 claimed is properly chargeable against the contract, and accordingly recommends that it be allowed.

20. (g) *Interest on funds advanced by this company in Yonkers and Chicago.*—This portion of claim presented in an amount of \$6,364.59 covers interest charges accruing on deferred expense bills properly chargeable against the contract, on which it was necessary for Otis Elevator Co. to advance moneys for payment of vendors' invoices on account of delays in securing reimbursement from the United States on account of various reasons and circumstances for which they were not responsible. The various items having been audited and found correct, it is recommended that the amount of \$6,259.70 be allowed.

21. (h) *Rental of Chicago works based upon \$50 per recuperator on difference between 1,039 units ordered and 277 units furnished.*—This portion of claim presented in an amount of \$38,100 covers compensation for rental of land and buildings comprising the so-termed "Ordnance works" at Chicago, Ill., on the basis of \$50 per recuperator applicable to the undelivered portion of contract.

22. In compiling estimated costs of recuperators in Washington, prior to the issuance of procurement order dated December 22, 1917, a fixed profit of \$1,200 per recuperator on the basis of \$12,000 estimated cost was tentatively agreed upon, in connection with which the question of rental of the land and buildings at Chicago was discussed, and compensation therefor was set up on the basis of increasing the fixed profit per recuperator to \$1,250, or equivalent to \$50 per unit.

23. Figuring from December 1, 1917, or approximately when the work of rehabilitating the Chicago property was commenced, and on the basis of contract covering 1,039 units to be delivered in their entirety on or before November 15, 1918, involves a total period of 11½ months, during which it was anticipated that the Otis Elevator Co. would receive a sum of \$51,950 for rental, this constituting the product of \$50 multiplied by the 1,039 units specified.

24. Notwithstanding the fact that manufacturing activities continued up until the latter part of June, 1919, involving a total period of 19 months figured from December 1, 1917, the amount claimed excludes the additional 7½ months during which manufacturing operations were in vogue, and accordingly it is considered that the basis of determination and the amount claimed is fair and reasonable.

25. In addition to the foregoing, your committee is of the opinion that the Otis Elevator Co. is entitled to additional compensation for rental of property for the storage of Government-owned equipment and materials during the months of July, August, September, and October, 1919, covering period of claims adjustment as in accordance with article 10 of contract, which on the basis of cost valuation of \$538,000 at the rate of 10 per cent per annum figures \$4,483.33 plus per month, or a total of \$17,933.32 for the four months in question, which, added to \$38,100 claimed, totals \$56,033.32, which is recommended be allowed.

26. (i) *Storage charge on Government tools and material remaining in Yonkers works.*—This portion of claim presented in an amount of \$2,215.55 covers

storage charges on Government-owned equipment and materials at the Yonkers, N. Y., plant during the months of May, June, July, and August, 1919. These charges have been investigated and audited, and your committee recommends that the amount of \$2,215.55 be allowed.

27. (j) *Work-setting gauges for 52 No. 5 machines furnished on R-200, being eight in excess of approval order less eight centering drill jigs.*—This portion of claim presented in an amount of \$1,547.68 covers eight work-setting gauges less centering drill jigs furnished for the 52 No. 5 horizontal boring mills fabricated on war order CF-385, in excess of the specifications of approved purchase order R-200. These gauges were required and used in connection with contract, and the amount claimed having been audited and found correct, your committee recommends that the amount of \$1,547.68 be allowed.

28. (k) *Expense moving ordnance-works employees to point of shipment estimated on moving expenses to Chicago originally paid by United States Government.*—This portion of claim presented in an amount of \$2,326.11 covers the estimated expense of moving various departmental heads of Otis Elevator Co. from Chicago back to their respective stations in the Otis organization, it having been agreed during the early negotiations prior to the commencement of activities on contract that the expense of transferring these men to Chicago, Ill., would be allowed as proper items to charge against the contract. Such being the case, it is no more than reasonable to consider that the expense of returning these employees to their former stations is also properly chargeable against contract, and your committee accordingly recommends that the amount of \$2,326.11 be approved.

29. (l) *Restaurant loss being difference between expenditures and receipts by this company in maintaining restaurant subsequent to March 1, 1919.*—This portion of claim presented in an amount of \$194.87 represents actual loss incurred in the operation and maintaining of the restaurant for the ordnance-works employees at Chicago, Ill., in connection with completion of contract, and following audit of the amount claimed your committee recommends that this item charged in the amount of \$194.87 be allowed.

30. (m) *Premium on Fidelity bonds for assistant auditor and cashier not summarized by Government accountants.*—This portion of claim presented in an amount of \$75 covers premium on fidelity bonds of assistant auditor and cashier at ordnance works, Chicago, Ill., covering latter period of contract terminating September 30, 1919, which expense, while properly chargeable against contract, was disallowed for payment by voucher, is recommended by your committee as an allowable item of claim.

31. (n) *Salary of accountant (Miss Farrell), two weeks allowed as vacation.*—This portion of claim presented in an amount of \$50 covers salary paid to one of the accountants at ordnance works, Chicago, Ill., during a two-weeks' vacation period, which, being in accordance with the regulations of office employees at the ordnance works, appears to be properly chargeable against contract, and your committee accordingly recommends that the amount in question be allowed.

32. (o) *Shipping charges on material returned to Michigan Smelting & Refining Co. account of change in composition for which vendor was not responsible.*—This portion of claim presented in an amount of \$55.04 covers transportation charges on certain bronze castings constituting component materials purchased for use on contract, which were returned to Michigan Smelting & Refining Co., Detroit, Mich., for credit on account of change in chemical composition, later prescribed by the Ordnance Department through Watertown Arsenal, who exercised jurisdiction in all engineering matters pertaining to the manufacture of these recuperators. This item having been audited is clearly chargeable against contract, and your committee recommends that the amount claimed be allowed.

33. (p) *Ten per cent on saving between estimated cost and actual cost on 277 recuperators produced.*—This portion of claim presented in an amount of \$96,322.87 covers compensation for so-called "efficiency" in having manufactured 277 recuperators delivered on contract at less than original estimated cost, based upon 10 per cent of the difference between such estimated and the actual costs.

34. Notwithstanding the fact that in the opinion of your committee the 277 recuperators were economically produced, taking into consideration the time necessarily involved in the development of facilities and various process details required to establish their manufacture on a production basis, the original estimated cost figure was not established on precedent but made sufficiently

liberal to cover all possible contingencies, so that it appears difficult to determine a nominal cost figure.

35. In consideration of the foregoing, and from the fact that the contract contains no provisions for payments on completed recuperators other than the fixed profit specified, your committee recommends that this item of claim be disallowed.

36. (q) *Ten per cent on unamortized portion of cost of standard machine tools, special and single-purpose tools; also special figs, fixtures, and small tools purchased on outside.*—This portion of claim, presented in an amount of \$94,709.99, covers compensation for service in designing, procuring, and assembling the various manufacturing facilities required for the execution of contract, which item of claim appears to justify consideration on the basis of contract suspension.

37. In the consideration of a claims item of this character, your committee is of the opinion that in this or similar cases where contracts have been suspended prior to completion, contractors are entitled to compensation for their services in procuring and assembling facilities specially provided for such contracts, based upon the inability of recouping, either wholly or in part, according to the percentage of incompletion, the full amount of such compensation as representative of that portion of profits as would logically be apportionable over deliveries on the entire contracts.

38. In this connection it is assumed that the fixed profit of \$1,250 per completed recuperator as specified in contract, was intended to compensate Otis Elevator Co. for their services in procuring and assembling facilities and materials required for the execution of contract, rental allowances on land and buildings at Chicago, Ill., development of process details, building up of organization, and the manufacture of 1,039 recuperators. It is furthermore assumed that the total profits derived, had the contract been completed, would have been apportionable over the various aforementioned elements, but in consideration of a reduction in the number of recuperators delivered, certain elements of services rendered under contract can not be considered fully compensated for.

39. On the basis of the foregoing, it is the opinion of your committee that the 10 per cent basis claimed as compensation for procuring and assembling facilities is fair and just, substantiated by that portion of paragraph G of "Additional terms and conditions" attached to second supplemental contract, dated October 16, 1918, specifying "to the above may be added such sums as the Chief of Ordnance may deem necessary to fairly and justly compensate the contractor for work, labor, and service rendered under this contract," as a result of which your committee recommends that 10 per cent of the gross amount of purchase less 27 per cent amortization, equivalent to a net amount of \$94,709.99, be allowed on this item of claim.

40. (r) *Additional compensation for special machine tools manufactured on CF-385, CF-522, R-2263, and R-3400 for use in the production of recuperators on CF-388.*—This portion of claim presented in an amount of \$84,149 covers additional compensation for the special machine tools used in the manufacture of recuperators, which were furnished on contracts applicable to war orders Nos. CF-385 and CF-522, and Otis Elevator Co.'s purchase orders Nos. R-2263 and R-3400 on account of contract applicable to war order No. CF-388, based upon the contention that these machine tools were originally quoted at considerably lower than prevailing market prices for the ostensible purpose of promptly securing authority to proceed with their design and manufacture in the absence of competitive bids, it being pointed out that the contractor's willingness in so doing was in consideration of the profits anticipated from deliveries of the 814 recuperators originally contracted for, whereas by reason of the reduction in the number of units delivered such profits were materially decreased.

41. The amount of \$84,149 claimed is made up on the basis of prices which it is estimated would have been charged by other manufacturers for the machine tools in question, from which has been deducted the prices paid therefor by the United States, the difference being amortized 27 per cent, which represents the percentage of recuperators delivered on contract applicable to war order No. CF-388. While your committee did not feel justified in favorably considering this item of claim as presented on account of arbitrary price values having been employed as above recited, inasmuch as it was stated that the prices paid by the United States for these machine tools totaled but approximately 10 per cent above factory cost excluding administrative overhead, Otis Elevator Co. were requested to submit a statement of costs for the purpose of deter-

mining what percentage of net profit was actually derived in the manufacture of the tools.

42. From the statement of costs submitted it was ascertained that the total cost of these machine tools (less motors and control equipment which are excluded from claim), including administrative overhead, was \$632,609.23, whereas the total amount paid by the United States therefor being \$711,285, the net profit figures approximately 14 per cent, which appears fair and equitable in consideration of which your committee recommends that this item of claim be disallowed.

43. (s) *Amount of carrying charges on Chicago plant to date of completion of all work estimated November 1, 1919.*—This portion of claim presented in an amount of \$5,581.23 covers various fixed charges applicable to the "Ordnance Works" plant at Chicago, Ill., which neither have been or will be vouchered in the regular manner, a certain number of which having been previously incurred and paid by Otis Elevator Co., whereas the remainder have been estimated on the basis of current expenses up to November 1, 1919, the date on which it is conservatively figured that all Government-owned equipment and materials will have been removed from the property. All items having been investigated and audited and found properly chargeable against the contract, account of suspension, your committee recommends that the amount of \$5,452.23 be allowed.

44. (t) *Traveling expenses of M. H. Christopherson and F. P. Hamon, Chicago to Yonkers and New York, account claim CF-388.*—This portion of claim presented in an amount of \$192.69 covers traveling expenses of M. H. Christopherson, manager, and F. P. Hamon, auditor of the "ordnance works" plant from Chicago to Yonkers and New York, and return, occasioned by the requirements of claims investigation and preparation, and being considered a proper charge against contract account of suspension, your committee recommends that the amount of \$192.69 be allowed.

45. *Additional expense items submitted following presentation of claim.*—In letter dated September 23, 1919, to Chicago district claims board, Otis Elevator Co. submitted several additional expense items which developed following formulation and presentation of claim, and which obviously were not included therein, these items comprising expense previously paid and not vouchered, together with an additional storage charge, and estimated item of expense to be incurred in connection with the removal of government-owned equipment and materials from their "ordnance works" plant, Chicago, Ill.

46. The first item appearing in letter above referred to in an amount of \$154.70 comprises the actual labor cost of "slushing" a number of Government-owned machine tools preparatory to consignment to Watertown and Frankford Arsenal as in accordance with shipping orders received through the inspector of ordnance establishments, Washington, D. C. This work, which should have been executed by the Chicago district salvage board, was authorized by the Army inspector of ordnance at the "ordnance works" plant for the purpose of protecting the equipment against undue exposure to moisture.

47. The second item appearing in an amount of \$621.47 covers the cost of electric current consumed at the "ordnance works" from July 12, 1919, to September 10, 1919, for various power and lighting requirements, exclusive of current used to operate traveling cranes, which was charged through the Chicago district salvage board to the local contractor employed in removing the Government-owned equipment and materials from plant. The third item appearing in an amount of \$200 covers the estimated cost of removing broken concrete and rubbish from the "ordnance works" plant, as will be incurred after all Government-owned equipment and materials have been removed in their entirety.

48. The fourth item appearing in an amount of \$336.94 covers an additional storage charge for September, 1919, on a certain amount of floor area at their Yonkers, N. Y., plant occupied by Government-owned equipment and materials, whereas the fifth item in an amount of \$123.61 covers actual shipping expenses incurred in connection with the consignment of Government-owned materials to Watertown Arsenal and Erie Proving Ground, as in accordance with shipping order issued by the field service, Washington, D. C. All these additional items, aggregating \$1,441.72, having been investigated and audited, appear valid and equitable, and your committee recommends that they be allowed.

CLASSIFICATION OF DEDUCTIONS.

49. There are in evidence no claims of the United States against Otis Elevator Co. arising out of or incident to contract applicable to War Order No. CF-388, or for War Credits Board loans in connection therewith. Furthermore, no Gov-

ernment-owned scrap from worked materials or property was retained by Otis Elevator Co. in settlement of this claim. The amount of \$47,862.10, representing the fair value of property transferred to Otis Elevator Co., has been deducted from the gross amount of claim recommended, which covers the following general items as previously approved by a representative of the Chicago district salvage board.

Item.	Original cost.	Fair value allowance.	Per cent.
5 Hand grinders.....	\$7,260.00	\$4,770.00	65.8
6 Reed & Prentiss engine lathes.....	7,973.00	4,710.00	59.1
2 Warner & Swasey turret lathes.....	1,290.00	900.00	69.7
6 Gisholt turret lathes.....	20,700.00	13,500.00	65.2
2 Niles planers (rebuilt).....	17,000.00	6,328.38	37.2
2 42 feet by 144 inches vertical pressure tanks.....	770.00	400.00	51.9
Miscellaneous materials.....	4,507.44	2,253.72	50.0
Chicago plant (ordnance works) improvements.....	165,057.34	15,000.00	9.1
Total.....	224,547.78	47,862.10	21.3

50. The allowances made on all items with the exception of the "Chicago plant (ordnance works) improvements" were approved on the basis that such allowances were considered commensurate with the sound value of the equipment and materials in question, taking into account their present condition and prevailing market prices. The two Niles planers on which an allowance equivalent to 37.2 per cent of cost was made, were originally the property of the Otis Elevator Co. at their Buffalo (N. Y.) plant, and later rebuilt to specially meet the requirements of recuperators manufacture, equipped with new motors and control equipment, and furnished the United States on war order No. CF-385. The allowance made excludes the electrical equipment which is not adapted to the required current characteristics at Buffalo, where the planers are contemplated for future operation, and the cost of converting the planers back to their original arrangement.

51. The comparative small allowance of \$15,000 made on the "Chicago plant (ordnance works) improvements" costing \$165,057.34, was approved on the basis of the fact that a major portion of the original cost was incurred by repairs and alterations to buildings which are conceded to be of no tangible value to Otis Elevator Co. in consideration of the present prospectus of either the use, rental, or sale of these buildings for manufacturing purposes, and for the reason that were the United States called upon to restore the property to the condition existing prior to preparatory operations on this contract in accordance with addendum to Article IV, paragraph 7 thereof, it is estimated that the cost of restoration would exceed the maximum amount of salvage which could be derived.

CONCLUSIONS.

52. As a result of thorough investigation of this claim as presented, based upon the conclusions set forth in the foregoing paragraphs of this staff report, your committee recommends a gross award of \$223,083.03, less \$47,862.10 salvage offer, or a net of \$175,200.93 to Otis Elevator Co., as settlement in full of their claim arising out of contract applicable to war order No. CF-388.

L. M. CLARK,

*Lieutenant Colonel, Ordnance Department, United States Army,
Chairman, Special Committee, Otis Elevator Co.'s Claims.*

W. S. ROBINSON,

Chairman, Cannon and Carriage Committee.

Approved by:

J. H. PALMER,

Manager of Staff, Chicago District Claims Board.

MR. GRAHAM. You spoke of some moneys that were spent on account of other matters in connection with those three claims, or three contracts by the Washington office; what were those amounts, Mr. O'Hayer?

Mr. O'HAYER. By the Washington office?

Mr. GRAHAM. Yes.

Mr. O'HAYER. The total expenditure of \$3,698,000 is what it is. I do not include the two Yonkers items in here.

Mr. GRAHAM. Now, in the final settlements the company took all the special facilities, did it, or do you know about that?

Mr. O'HAYER. I do not know about that. I understand the machines have gone to Watertown Arsenal. I do not know.

Mr. GRAHAM. I want to ask you about an item in the settlement that appears relative to the Chicago plant. It seems that the company spent \$165,057.34 in improving the Chicago plant.

Mr. O'HAYER. In improving the three different plants; three different buildings.

Mr. GRAHAM. What did they do, now?

Mr. O'HAYER. Well, there is an item for roofs and masonry work, and carpenter work, and plumbing, and sewage-disposal system.

Mr. GRAHAM. What were they using these plants for before?

Mr. O'HAYER. I believe they were abandoned, so far as I can understand; I do not believe they were working there for the last three or four years.

Mr. GRAHAM. Was there anything in them?

Mr. O'HAYER. Hardly anything; only the walls.

Mr. GRAHAM. Where were the buildings located?

Mr. O'HAYER. I believe they were doing their heavy work in Yonkers and at Quincy, Ill.

Mr. GRAHAM. Where were those buildings located?

Mr. O'HAYER. At Fifteenth and Laflin.

Mr. GRAHAM. As a matter of fact, the company had abandoned these buildings and ceased manufacturing there?

Mr. O'HAYER. In Chicago; yes, sir.

Mr. GRAHAM. You don't know how long since they had been used?

Mr. O'HAYER. I think about four years; I am not sure.

Mr. GRAHAM. Who got them to rehabilitate those plants?

Mr. O'HAYER. I understand in the making of the plan at Washington, Mr. Christoferson—to use the buildings in the manufacture of those guns.

Mr. GRAHAM. They had nothing to manufacture with, had they?

Mr. O'HAYER. They had to clean them out and put in cement floors all the way through.

Mr. GRAHAM. When did they get that work done—cleaning up that old building?

Mr. O'HAYER. It continued up until June or July, the old buildings.

Mr. GRAHAM. In 1918?

Mr. O'HAYER. In 1918.

Mr. GRAHAM. And it was necessary to get that done before they commenced?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. The walls were put in shape?

Mr. O'HAYER. Yes, sir; and all the glazing in the buildings.

Mr. GRAHAM. And had to be done under unusual conditions, I suppose?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. And the floors?

Mr. O'HAYER. Yes, sir; cement floors.

Mr. GRAHAM. And had to wire it and put in electric fixtures?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Was there a power plant there?

Mr. O'HAYER. No, sir.

Mr. GRAHAM. Did the Government put one in, or use electric power?

Mr. O'HAYER. Electric power entirely.

Mr. GRAHAM. And they fixed that up to make recuperators?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Did they use that?

Mr. O'HAYER. Yes, sir; and one for a commissary and a restaurant.

Mr. GRAHAM. Were they brick walls?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Have you seen them lately?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Are they in good shape?

Mr. O'HAYER. Yes, sir; in good shape.

Mr. GRAHAM. What is the company using them for?

Mr. O'HAYER. They are getting ready to depart again, I guess.

Mr. GRAHAM. You mean to abandon them again?

Mr. O'HAYER. That is what they said; I haven't any further information on it?

Mr. GRAHAM. When did they get done with the work?

Mr. O'HAYER. The 24th of June they quit.

Mr. GRAHAM. Have they been delivered?

Mr. O'HAYER. Two hundred and twenty-seven have been delivered.

Mr. GRAHAM. Has the material gone out of the place?

Mr. O'HAYER. No; the storekeeper has indirect material in his care there, and the direct material.

Mr. GRAHAM. I observe that in making this settlement the company only gave \$15,000 for those buildings?

Mr. O'HAYER. So I understand.

Mr. GRAHAM. Well, is this factory building located in a place where it can be used for ordinary manufacturing purposes?

Mr. O'HAYER. Yes, sir; it is a very desirable location for heavy machine manufacturing.

Mr. GRAHAM. Well, why; I am curious to know why any company that owns a plant in good shape all rehabilitated in that locality should abandon it.

Mr. O'HAYER. That I could not say. That is a matter, I think, of labor difficulties here in Chicago, made them abandon the Chicago plant. That has been given to me as the reason.

Mr. GRAHAM. You used to be a real estate man?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. Do you think that plant would be saleable?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. What do you think it would be worth if that plant was put on the market to-day?

Mr. O'HAYER. The building?

Mr. GRAHAM. The plant there?

Mr. O'HAYER. The two buildings left?

Mr. GRAHAM. Yes.

Mr. O'HAYER. I think it would be capitalized on a \$700,000 basis.

Mr. GRAHAM. Do you think it could be marketed for that?

Mr. O'HAYER. At least I think so; yes, sir.

Mr. GRAHAM. When the Government took it over, what do you think it was worth then?

Mr. O'HAYER. That I could not venture to say, because it has been in the course of decay four or five years, abandoned entirely, and the depreciation takes a higher rate very naturally.

Mr. GRAHAM. Is there a railroad into the plant?

Mr. O'HAYER. Not into the plant, but they have a temporary track installed to get out as far as the loading platform.

Mr. GRAHAM. Connects with what road?

Mr. O'HAYER. Into the building to put in the recuperators.

Mr. GRAHAM. So they can get into the building?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. I don't know just where that location is; is it on the river?

Mr. O'HAYER. No, sir; on the railroad track on the southwest side—the near southwest side.

Mr. GRAHAM. Any other factories in that locality?

Mr. O'HAYER. Well, quite a few of them in there; yes, sir.

Mr. GRAHAM. Accessible to the river, is it?

Mr. O'HAYER. Not to the river; to the railroad.

Mr. GRAHAM. Do you want to ask him anything, Mr. Jefferis?

Mr. JEFFERIS. Mr. O'Hayer, as I understand, your first statement is the total cost of money expended by the Government on contract 388 is \$2,960,242; that was erroneous?

Mr. O'HAYER. Yes, sir; the real figure being \$3,968,479.98.

Mr. JEFFERIS. Now, that three million nine hundred and sixty-eight thousand odd dollars was made up of direct labor expended by the Otis Elevator Co. at Chicago—

Mr. O'HAYER (interposing). Chicago and Yonkers.

Mr. JEFFERIS. And Yonkers—to the amount of—

Mr. O'HAYER (interposing). \$562,877.23.

Mr. JEFFERIS. And the item of overhead and what other?

Mr. O'HAYER. Overhead and indirect material.

Mr. JEFFERIS. Nine hundred and twenty-six thousand and some dollars?

Mr. O'HAYER. \$926,363.30.

Mr. JEFFERIS. Now, what is included in indirect material?

Mr. O'HAYER. That is indirect labor and all overhead expenses; all indirect labor and indirect material and overhead expenses.

Mr. JEFFERIS. What do you mean by overhead?

Mr. O'HAYER. All supplies of every nature that does not go directly into the recuperator itself.

Mr. JEFFERIS. Now, I notice the next item of direct material used; does that mean at Yonkers and also at Chicago?

Mr. O'HAYER. Yonkers and Chicago, \$973,573.03.

Mr. JEFFERIS. Now, that was the material that went into the recuperators?

Mr. O'HAYER. The recuperator itself and the recuperator component parts.

Mr. JEFFERIS. And then I notice the next item would be administrative and what?

Mr. O'HAYER. And general expense.

Mr. JEFFERIS. \$221,867.91?

Mr. O'HAYER. \$221,867.91.

Mr. JEFFERIS. What would be included in administrative expense?

Mr. O'HAYER. Officers' salaries and supplies and stuff of that nature, and the rental charge and different charges that could not be allocated to overhead expense.

Mr. JEFFERIS. Then increased facilities that went into the Chicago was this item of \$882,398.37?

Mr. O'HAYER. Yes, sir.

Mr. JEFFERIS. And then you got facilities for the Yonkers plant. is that it, to the amount of \$546,000?

Mr. O'HAYER. No; they are included in this.

Mr. JEFFERIS. In what?

Mr. O'HAYER. In this \$882,000, the Yonkers facilities, we paid the facilities here for the rehabilitating of that there.

Mr. JEFFERIS. That will change your figures again.

Mr. O'HAYER. The first figures I gave you were the totals; the figures expended \$2,962,482.82, the total amount in Chicago.

Mr. JEFFERIS. But there were on these contracts for increased facilities \$546,075; \$202,130; \$882,289.37 for increased facilities?

Mr. O'HAYER. They were; but they were not all expended on this plant here in Chicago.

Mr. JEFFERIS. But, as you understand it, the increased facilities of all three plants have been settled in this settlement that is being made.

Mr. O'HAYER. I have not understood the settlement at all.

Mr. JEFFERIS. So, as a matter of fact, in the Chicago plant we have facilities that were paid for by the Chicago office to the amount of \$882,389.37?

Mr. O'HAYER. That is right.

Mr. JEFFERIS. And also increased facilities that were shipped here from other Otis elevator plants to the value of and amount of \$546,075 from Yonkers plant and \$202,130 from somewhere else?

Mr. O'HAYER. Yes, sir.

Mr. JEFFERIS. So that the increased facilities that were installed in the Chicago plant really cost the Government a total of \$546,075 plus \$202,130 plus \$882,389.30. Is that your understanding?

Mr. O'HAYER. \$180,782 of those increased facilities was installed at Yonkers.

Mr. JEFFERIS. Then \$180,000 out of the three items I have just given you was installed at Yonkers?

Mr. O'HAYER. Were installed at Yonkers.

Mr. JEFFERIS. And the rest of it installed at Chicago?

Mr. O'HAYER. Yes, sir.

Mr. JEFFERIS. And those increased facilities, outside of the \$165,000 that was expended on the buildings, was expended in machinery?

Mr. O'HAYER. In machinery; yes, sir.

Mr. JEFFERIS. What kind of machinery?

Mr. O'HAYER. Well, it is all, as I understand it, pretty nearly all special machinery, with the exception of some big Ingersoll milling machines that can be used for commercial purposes.

Mr. JEFFERIS. Well, can you tell what this machinery consisted of?

Mr. O'HAYER. I have a list of it; but I am not familiar with the machinery.

Mr. JEFFERIS. Can you give us a general idea?

Mr. O'HAYER. Lathes and drilling and boring machines and refire testing machines and lapping machines.

Mr. JEFFERIS. Is that machinery located at the present time in this Chicago factory?

Mr. O'HAYER. No; I think most of it is not. I believe the entire machinery has been taken out of the plant now, with the exception of a couple of machines that the Otis people purchased.

Mr. JEFFERIS. Can you tell us or give as any real light on how much has been sent to the Watertown Arsenal?

Mr. O'HAYER. That I could not tell you. The inspection division could tell that.

Mr. JEFFERIS. Now, you spoke of some direct material being on hand here at Chicago. What does that consist of?

Mr. O'HAYER. It is some material accumulated from time to time to the amount of \$110,000.

Mr. JEFFERIS. You mean by the cost—the value?

Mr. O'HAYER. Yes; the value of \$110,000. That is in addition to the parts of 277 recuperators that is on hand now.

Mr. JEFFERIS. Do you mean that is what it cost or that is what it is valued at?

Mr. O'HAYER. That is what it cost.

Mr. JEFFERIS. Cost to the Government?

Mr. O'HAYER. Yes.

Mr. JEFFERIS. Does that include any labor?

Mr. O'HAYER. Yes, sir.

Mr. JEFFERIS. Now, you spoke of indirect material on hand at the Chicago place; do you know how much that is?

Mr. O'HAYER. It has not been fully appraised yet; the storekeeper hasn't his final figures on it.

Mr. JEFFERIS. Was this direct and indirect material that is on hand here sufficient, if it had been completed, to have made any number of recuperators, do you think?

Mr. O'HAYER. That I could not answer in detail. There were some additional parts made, but whether enough to make recuperators beyond the 277 I could not answer; there are some parts, no doubt.

Mr. JEFFERIS. Do you know, Mr. O'Hayer, about when the number of recuperators was decreased from 1,039 to 277?

Mr. O'HAYER. I could not give you the exact date of that. I haven't the date here.

Mr. JEFFERIS. Do you know, in a general way, or not?

Mr. O'HAYER. I think that was in July, if I am not mistaken.

Col. CLARK. March 27, 1919.

Mr. JEFFERIS. Then from March 27, 1919, until July 24, 1919, was when they working and completing those 277 recuperators?

Mr. O'HAYER. Completing the 277 recuperators; yes, sir.

Mr. JEFFERIS. Do you know whether they had any of those recuperators finished and completed up to March 27, 1919?

Mr. O'HAYER. I could not say; I did not pay any attention to the date, how far those recuperators were.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. Was it 227 recuperators or 277?

Mr. O'HAYER. Two hundred and seventy-seven.

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Mr. GARRETT. What was the attitude of the ——— toward the Government representatives such ——— the life of this contract?

Mr. O'HAYER. Averse, very averse. I did not ——— with them.

Mr. GARRETT. Did you ever have any trouble ——— from them that you required in your work?

Mr. O'HAYER. No, sir.

Mr. GARRETT. They always furnished you the ——— oil without any difficulty?

Mr. O'HAYER. Yes, sir.

Mr. GARRETT. Do you know whether there was ——— between them and any of the Government ——— time. I mean now, the inspection officers or ———

Mr. O'HAYER. I never noticed any; I never ——— to it at all.

Mr. GARRETT. Did you ever hear of any?

Mr. O'HAYER. I never heard of any.

Mr. GARRETT. This \$165,000 expended on buildings ——— that amount was it expended well here and ———

Mr. O'HAYER. That was expended well here and ———

Mr. GARRETT. Do you know how much was expended ———

Mr. O'HAYER. The bulk of it was expended here.

Mr. GARRETT. Do you know what the provision of ——— was with reference to the rights of the Government in the ——— by virtue of its expenditures upon them: the Government acquire any interest in real estate, did it ——— the real estate the buildings stood?

Mr. O'HAYER. I do not believe it acquired any real estate ——— just the buildings.

Mr. GARRETT. You estimate the value, or commonly known value, of capitalization for leasing purposes at \$700,000?

Mr. O'HAYER. Around that figure; yes, sir.

Mr. GARRETT. What proportion of that would be the ——— what proportion the buildings, if you have an idea about it?

Mr. O'HAYER. Well, it would be about one-third land and ———

Mr. GARRETT. And the rest of the value would be in the buildings?

Mr. O'HAYER. Yes, sir.

Mr. GARRETT. Did that include any estimate on any of the ——— machinery in it?

Mr. O'HAYER. No, sir.

Mr. GARRETT. Just the naked factory?

Mr. O'HAYER. Just the naked factory.

Mr. GARRETT. What was the Otis Elevator Co. engaged in before they obtained these war contracts?

Mr. O'HAYER. I believe they were making elevators and ——— lines of heavy machinery; I believe some automobiles; but ——— factory none at all.

Mr. GARRETT. There was no place in Chicago where they were making any machinery?

Mr. O'HAYER. No, sir; only the sales department, at six hundred and something Jackson Boulevard.

Mr. GARRETT. I mean no manufacturing?

Mr. O'HAYER. No, sir.

Mr. GARRETT. I think that is all.

Mr. GRAHAM. You do not happen to know whether this company has offered this building for sale?

Mr. O'HAYER. No, sir; I have heard that they offered to lease it; that is just a rumor.

Mr. GRAHAM. Who did you understand it was leased to?

Mr. O'HAYER. Some fuse company; the Chicago Fuse Co., I believe the title of the company is.

Mr. GRAHAM. Do you think that is the name of the company?

Mr. O'HAYER. I think that is it; I just overheard conversations; I paid no attention to it.

Mr. GRAHAM. Did you learn the rental?

Mr. O'HAYER. No, sir.

Mr. GRAHAM. Did you learn whether that lease had been made before or after the settlement?

Mr. O'HAYER. I don't know whether there was a lease made or not.

Mr. GRAHAM. Just heard in a general way that the plant was leased?

Mr. O'HAYER. Just in a general way that the plant was leased, is all.

Mr. JEFFERIS. I would like to ask another question; who was in charge of the Otis Elevator Co.'s works here during the time they were working on these recuperators?

Mr. O'HAYER. Mr. Christoferson was the works' manager here.

Mr. JEFFERIS. Who is the president of the Otis Elevator Co.?

Mr. O'HAYER. I do not know; I do not know their officials; that I could not tell you.

Mr. JEFFERIS. You don't know anything about the personnel?

Mr. O'HAYER. No, sir; I do not know the officials at all.

Mr. GRAHAM. Do you know Mr. Russell?

Mr. O'HAYER. To see him is all. I have seen him several times.

Mr. GRAHAM. In the District Ordnance office here?

Mr. O'HAYER. Yes, sir.

Mr. GRAHAM. You knew that he was an officer of the company?

Mr. O'HAYER. Yes; I knew that he was one, only I thought he had severed his connection when he went into the Government.

Mr. GRAHAM. I think that is all.

**TESTIMONY OF LIEUT. COL. L. M. CLARK, LIEUTENANT COLONEL,
ORDNANCE DEPARTMENT.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Colonel, what is your full name?

Col. CLARK. L. M. Clark.

Mr. GRAHAM. You are a colonel in the Ordnance Department?

Col. CLARK. Lieutenant colonel, Ordnance Department.

Mr. GRAHAM. How long have you been in the Army?

Col. CLARK. Nearly two years.

Mr. GRAHAM. Prior to your entering into the Army, what was your business?

Col. CLARK. Mechanical and electrical engineer.

Mr. GRAHAM. Located where?

Col. CLARK. Indianapolis, Ind.

Mr. GRAHAM. Were you in the employ of any particular firm, or contractor, or by yourself?

Col. CLARK. I was engineer for the Indianapolis Terminal Co. and superintendent of the Terre Haute & Indianapolis Eastern Traction Co.

Mr. GRAHAM. And then you went into the Army and into the Ordnance Department direct?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Where did you first go after you were assigned to duty?

Col. CLARK. To the Bethlehem Steel Co., at South Bethlehem, Pa.

Mr. GRAHAM. In what capacity?

Col. CLARK. First serving a course of apprenticeship under the Ordnance Department stationed at the plant.

Mr. GRAHAM. And, then, after that, what did you do?

Col. CLARK. I was assigned as inspector of ordnance at the Otis Elevator Co., Fifteenth and Laflin Streets, Chicago, Ill.

Mr. GRAHAM. And have been there ever since?

Col. CLARK. I was there from September 6, 1917, from that time until November, at which time I was made Army inspector at 36 other plants located in the same neighborhood; on December 28 I was assigned as inspection manager in the Chicago district, of ordnance, and my place as Army inspector of ordnance was assumed by Capt. William Treleven.

Mr. GRAHAM. Where are you now located?

Col. CLARK. The Chicago district office.

Mr. GRAHAM. Are you a member of the claims board?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Now, have you had anything to do with the settlement of the claim of the Otis Elevator Co.?

Col. CLARK. Yes, sir; I was chairman of the special investigating committee assigned to the investigation of their claim, arising out of the suspension of contract CF388 for recuperators for the 240-millimeter howitzer carriage. Also sitting in on the Chicago claims board on the occasion of the hearing of the staff report and the recommendation of the award.

Mr. GRAHAM. In the final settlement of this matter there were considerable special facilities involved, as I observe?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Do you have a list of those special facilities—tools and fixtures, and so on?

Col. CLARK. You refer to the total increased facilities provided by the Government or only those taken over by the contractor?

Mr. GRAHAM. I want both; those furnished by the Government and then those kept by the contractor.

Col. CLARK. I have not with me a complete list of those provided; there is before you a list of the increased facilities taken over by the contractor in connection with the settlement of their claim.

Mr. GRAHAM. This list appears to be on page 12 of the staff report, and I will read it to see whether it is the list you refer to: Five Heald grinders, 6 Reed & Prentiss engine lathes, 2 Warner & Swasey turret lathes, 6 Gisholt turret lathes, 2 Niles planers (rebuilt), 2 42 feet by 144 inches vertical pressure tanks, miscellaneous materials Chicago

plant. Are those the only things that were taken by the company in the way of special facilities?

Col. CLARK. Yes, sir.

Mr. GRAHAM. What was done with the rest of the stuff?

Col. CLARK. A part of the increased facilities were requisitioned by Watertown Arsenal and shipped to that point. The remaining increased facilities were taken over by the Chicago district salvage board and assigned to the 773 Ashland Street depot.

Mr. GRAHAM. Was there a very considerable loss on that sort of stuff?

Col. CLARK. Yes, sir; there was.

Mr. GRAHAM. Did you go out to see it; of course, you saw this plant several times during its operation?

Col. CLARK. I was continually at the plant from December 6, 1917, until December 26, 1918.

Mr. GRAHAM. I observe that the special facilities, the original cost of them was—

Col. CLARK (interposing). \$224,547.78.

Mr. GRAHAM. And they gave you for that \$47,862.10, or 21.3 per cent cost of the cost price, as shown by this table. That is correct, isn't it?

Col. CLARK. Yes, sir.

Mr. GRAHAM. What was this plant like when you first began operations?

Col. CLARK. The Otis Elevator Co.'s plant at Chicago, comprising three buildings located at Fifteenth and Sixteenth and Laffin Streets, was formerly used by the Otis Elevator Co. in the manufacture of elevators for commercial purposes. That plant was abandoned about four or five years prior to the taking on of the recuperator contract on account of labor difficulties encountered in Chicago. Up to that time the plant was used for so-called dead storage. At the time there were a few automobiles in the plant, up to the time of the rehabilitation of the plant for contract work.

Mr. GRAHAM. Was there any railroad that ran into the plant?

Col. CLARK. At Sixteenth and Laffin Streets there was a switch track.

Mr. GRAHAM. That is, at that time?

Col. CLARK. Yes, sir; mounted on a trestle running into the rear of the property, which communicated with an overhead traveling crane between that trestle and the interior of the building.

Mr. GRAHAM. So far as you know, the company had abandoned that plant permanently for manufacturing purposes?

Col. CLARK. Yes, sir.

Mr. GRAHAM. What shape was the buildings in?

Col. CLARK. Generally speaking, in a fair condition, subject to a reasonable depreciation that might be expected after four or five years of abandonment.

Mr. GRAHAM. What did they use this \$165,000 for; what was done with it?

Col. CLARK. That amount of money was expended in making the repairs on the buildings; principally the repairs to the roof, replacement of glass windows and doors, and the removal of the foundry equipment in the Sixteenth and Laffin Streets building and the in-

stallation of concrete floors, installation of electric light and power service, and the installation of fire appliances and a small addition to the Sixteenth Street building known as a so-called lean-to for additional floor area for the milling machines which were later installed.

Mr. GRAHAM. Well, at the time work was started was the plant pretty well rehabilitated and in good shape?

Col. CLARK. Yes, sir; it was.

Mr. GRAHAM. Do you agree with Mr. O'Hayer in what he says that plant is now worth as a commercial proposition?

Col. CLARK. No; I do not, Mr. Chairman. I personally believe that the plant, including the land and buildings, is between \$500,000 and \$600,000.

Mr. GRAHAM. Do you know what they are proposing to do with it from your own knowledge?

Col. CLARK. It is my understanding they are endeavoring to sell or lease the property.

Mr. GRAHAM. Do you know whether they have negotiated any lease with the Chicago Fuse Co. or any other similar company?

Col. CLARK. No; I do not.

Mr. GRAHAM. You settled with this company by paying them \$175,200.93?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Now, in addition to that they got their building rebuilt and the special facilities which have been named, and they got in addition to that—how many million dollars was it we estimated a moment ago?

Col. CLARK. A fixed profit of 277 times \$1,250, equivalent to the number of recuperators, multiplied by the fixed price profit.

Mr. GRAHAM. They received as profits on that job, then, \$346,250?

Col. CLARK. I think that is the correct figure.

Mr. GRAHAM. And a settlement of \$175,200.93, and the rehabilitation of their building, the special facilities that have been mentioned and all sorts of labor, material, overhead, and all incidental costs that were included in this work?

Col. CLARK. A part of the net award on the claim of \$175,000 and odd dollars included certain expenses previous incurred and paid for by the Otis Elevator Co., so that certain items simply consisted of reimbursement.

Mr. GRAHAM. I understand, but I am recounting now what they received altogether. The Government received 277 recuperators, the company received these various things that I have mentioned, didn't they?

Col. CLARK. Yes, sir. I might add, Mr. Chairman, that the Government also received quite a quantity of finished and semifinished parts of additional recuperators which served the purpose of making up a list of war replacement parts required by the Watertown Arsenal and shipped to the Erie Proving Grounds, at Fort Clinton, Ohio.

Mr. GRAHAM. I want to call your attention to item H, which is "Rental of Chicago works based upon \$50 per recuperator on difference between 1,039 units ordered and 277 units furnished—762, at \$50 each, \$38,100.

Now, your committee, in passing upon this business, instead of allowing to the company \$38,100, as it claimed, allowed to it \$56,033.32.

Col. CLARK. Yes, sir.

Mr. GRAHAM. In other words, you gave them \$17,933.32 more than they asked for on that item?

Col. CLARK. Yes, sir; that was in accordance with the terms of the contract, which provided for not to exceed 10 per cent of the annual cost of buildings and property not Government-owned property.

Mr. GRAHAM. That is true, Colonel, but you gave them almost \$18,000 more than they asked, didn't you?

Col. CLARK. Yes, sir.

Mr. GRAHAM. And you did that because you were wanting to be fair with them, I suppose?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Well, is it your custom as a member of the claims board to allow claimants large sums in addition to what they ask on items just because you think it is the right thing to do?

Col. CLARK. Yes, sir; where it is fair to the contractor and equitable to the Government.

Mr. GRAHAM. So if you had thought they ought to have \$50,000 more than they asked on that item you would have given it to them?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Here is an item, "10 per cent on unamortized portion of cost of standard machine tools, special and single-purpose tools, also special jigs, fixtures, and small tools, purchased on outside, \$94,709.99," which you allowed in full. I wish you would explain to the committee what that means; I do not understand it myself.

Col. CLARK. In making up the estimated cost of the recuperators prior to the execution of the original procurement order, on the basis of which it was figured that the fixed price profit equivalent to 10 per cent of that estimated amount would be equitable, it was considered by your committee that that profit reimbursed the Otis Elevator Co. for their services in procuring and erecting the increased facilities required by the execution of the contract, for the preparation of process details required in the manufacture thereof, for the getting together of the necessary organization to satisfactorily perform the contract, and for the manufacture of the recuperators covered thereby. In consideration of the item of claim mentioned by the chairman, your committee believed that a certain portion of the service rendered on the contract; that is, in regard to the preparation of the plant, the getting together of the organization, the working out of the process details for the manufacture of 1,039 recuperators, that the contractor had only been partially reimbursed for those services by reason of the suspension of the contract, which reduced the quantity delivered from 1,039 to 277 units, and on that basis or principle your committee considered that compensation on the basis of 10 per cent of the cost of preparing that plant was a fair and equitable basis to determine.

Mr. GRAHAM. That has all been paid in addition. Now, then, you paid all overhead expenses, didn't you, of every kind?

Col. CLARK. Yes, sir.

Mr. GRAHAM. That included the cost of executive officers, the administrative officers, the engineers, of all men who had anything to do with the planning and executing of this work?

Col. CLARK. Yes, sir.

Mr. GRAHAM. That has all been paid in addition; now, then, you say in addition to that, here is some tools that were purchased on the outside; what do you mean by purchased on the outside?

Col. CLARK. The reference of the tools being purchased outside originates with the contractor in the formulation of his claim, but is intended to cover standard machine tools, jigs, and fixtures which the Otis Elevator Co. issued purchase orders therefor and bought in the open market for their use in connection with this contract.

Mr. GRAHAM. Let me see. According to this they must have purchased approximately \$974,000 worth of tools on the outside, because this is 10 per cent on the unamortized portion; probably more than that.

Col. CLARK. More than that.

Mr. GRAHAM. The unamortized portion, the proportion that 277 bears to 1,039?

Col. CLARK. Yes, sir.

Mr. GRAHAM. So that it would be a large amount of tools purchased on the outside?

Col. CLARK. Yes, sir.

Mr. GRAHAM. Now, you take the proportion of them that is represented by the difference between 277 and 1,039 that you bought in the open market, and all they had to do, presumably, is to go out and buy them, and then you give the company 10 per cent on that?

Col. CLARK. A portion of them in excess of a million dollars applies on the tools specially designed for use by the Otis Elevator Co.; a small portion only applies upon tools, upon jigs, fixtures, and so on, strictly speaking, on the outside.

Mr. GRAHAM. I understand; I am asking you if I have correctly stated that the tools you went into the open market and bought and used in this place you are now allowing this company 10 per cent on the purchase on the unamortized portion of them?

Col. CLARK. Yes, sir.

Mr. GRAHAM. That is in addition to the 10 per cent which you incurred in buying them, and which the Government has already paid in vouchers?

Col. CLARK. Yes, sir.

Mr. GRAHAM. And your committee thought that was the right thing to do?

Col. CLARK. Yes, sir.

Mr. GRAHAM. You have already allowed that, haven't you, to them; 10 per cent on the partially made material?

Col. CLARK. Yes, sir; in accordance with the terms of the contract.

Mr. GRAHAM. And then you come to these tools that they bought in order to make this stuff and you give them 10 per cent on the cost?

Col. CLARK. The 10 per cent is to compensate them for getting together their organization, planning their process details, and all necessary services rendered prior to the operating expense.

Mr. GRAHAM. I understand that, but so far as the expense is concerned that has been paid. You are paying them in this item for what you think they ought to be paid—

Col. CLARK (interposing). Compensation under the supplemental contract; which provides that compensation under the contract in preparation therefor.

Mr. GRAHAM. Yes; and it also provides further that not one cent shall be allowed in the way of prospective benefits.

Col. CLARK. That is not prospective benefits in the opinion of your committee, because it covers the service rendered. That amount of recuperators had been manufactured. That portion has been completed in its entirety.

Mr. JEFFERIS. Did not the company get all overhead expenses paid?

Col. CLARK. The costs were paid by the United States in full.

Mr. JEFFERIS. That included the services of their officers, didn't it?

Col. CLARK. Yes, sir.

Mr. JEFFERIS. And all the work that they did before the contract was entered into as well as afterwards?

Col. CLARK. Yes, sir.

Mr. JEFFERIS. And if they were all paid for it and the officers' salaries were paid and the services, why should they have 10 per cent more?

Col. CLARK. To compensate the corporation for the services rendered under this contract.

Mr. JEFFERIS. You look upon the corporation as separate and distinct from the officers?

Col. CLARK. Not exactly; the compensation of the officers has nothing to do with the contract between the Otis Elevator Co. and the Government. Payment to the Otis Elevator Co. by the Government of such portion thereof as shall be proper, that is not in any sense compensation—not in any sense of the word.

Mr. JEFFERIS. Well, it was paying all that they were paying out, wasn't it?

Col. CLARK. Yes, sir.

Mr. JEFFERIS. Paying even the salaries of their officers?

Col. CLARK. Such proportion as was properly chargeable to this contract.

Mr. JEFFERIS. Who was on your committee?

Col. CLARK. Myself as chairman, and Milton Goodman, who is special member of the committee, and W. S. Robinson, of the cannon and carriage committee, or the regular advisory committee, through which this was handled through the special committee assigned to it.

Mr. JEFFERIS. Who suggested that you would pay this company more than it claimed on that item mentioned to you by Mr. Graham?

Col. CLARK. No one suggested it to the committee.

Mr. JEFFERIS. Which one of the committee suggested it first?

Col. CLARK. Myself, I think.

Mr. JEFFERIS. Was that from some written instructions you had as to the method of settling these contracts?

Col. CLARK. No written instruction beyond the interpretation of the contract in question, as well as the provision contained in the contract in statutory awards.

Mr. JEFFERIS. Was the Otis Elevator Co. surprised when they got more than they claimed?

Col. CLARK. The total amount of the award, Mr. Jefferis, is approximately two-thirds of the amount claimed. In only one instance, I believe, and that pertains to the storage item on the Chicago plant, was the amount increased over the claim; in other cases it was either equal to or less than the amount claimed.

Mr. JEFFERIS. What was the original claim of the Otis Elevator Co.?

Col. CLARK. \$390,697.22.

Mr. JEFFERIS. Did that take into consideration at all this list of machinery?

Col. CLARK. No; it did not.

Mr. JEFFERIS. They had that much claim without offering any salvage value for the machinery?

Col. CLARK. That was the gross amount of their claim, which would subject a deduction of \$47,682.10, which would represent their net claim, amounting to approximately \$343,000.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, anything?

Mr. GARRETT. I think there is nothing I care to ask.

(And thereupon at 4.45 o'clock p. m. the committee adjourned.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Friday, October 24, 1919.

The committee met at 11 o'clock a. m. pursuant to call by the chairman, Hon. William J. Graham (chairman) presiding.

Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Mr. GRAHAM. The committee will this morning hear Mr. Dorr.

**TESTIMONY OF MR. G. H. DORR, ASSISTANT DIRECTOR OF
MUNITIONS, WAR DEPARTMENT.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Dorr, you are connected with the Government service?

Mr. DORR. I am Assistant Director of Munitions in the War Department.

Mr. GRAHAM. How long have you been in that department?

Mr. DORR. I came in the War Department, I think, about the 20th of December, 1917.

Mr. GRAHAM. And you have been Assistant Director of Munitions ever since?

Mr. DORR. No; I came in as personal assistant to Mr. Crowell, the Assistant Secretary of War.

Mr. GRAHAM. Where was your home before coming into the service?

Mr. DORR. Immediately before coming into the War Department I had been with the War Trade Board as Acting Director of the Bureau of Enemy Trade.

Mr. GRAHAM. Where did you live prior to that?

Mr. DORR. My business is in New York, my home is in New Jersey.

Mr. GRAHAM. What was your business, Mr. Dorr?

Mr. DORR. That of a lawyer.

Mr. GRAHAM. Had you ever had any experience along the lines of ordnance or war munitions prior to coming into the service?

Mr. DORR. Prior to coming into the service?

Mr. GRAHAM. Yes, sir.

Mr. DORR. Not in connection with ordnance; no.

Mr. GRAHAM. This committee has been investigating the claim the Standard Steel Car Co., among other matters, and we have ab

completed our investigation, but thought it advisable to ask you some questions about some matters that we thought you knew about.

Col. E. S. Hughes had considerable to do with the settlement of this claim? We are speaking now of the claim for the building of 240-millimeter howitzer carriages at Hammond, Ind.; and the first time this committee ever heard of his connection with it was when he was in your office on a certain occasion, when Col. Reeves, of the War Department Claims Board, was called to your office for consultation about going to Chicago.

When did you first become officially advised, Mr. Dorr, of the pendency of this claim, or have any official information about it?

Mr. DORR. Why, as near as I can recall, when I was visiting the Chicago district in—I think—April or May of 1919, it was of a number of claims that Mr. Russell—

Mr. GRAHAM. Mr. E. A. Russell?

Mr. DORR. Mr. E. A. Russell, the district chief mentioned—and at that time I remember that impressed it on my mind—at that time he introduced me to a Mr. Church and a Mr. Vail, that he spoke of as business men of experience and skill, who had rendered very great services to the Government in connection with the production that had been carried on by the Standard Steel Car Co., and at that time I think this matter was also discussed—I am quite sure it was. But there were a very considerable number of subcontracts of this company, and I took up that question with him—the importance of expediting the settlement of certain contractors' claims, so that the subcontractors should not be left holding the bag, as they had rendered services to the Government which had gone into the Government product; and he stated that they were making good progress in the settlement of the subcontractors' claims, and that—

Mr. GRAHAM. Who was this gentleman this conversation was with?

Mr. DORR. It was with Mr. Russell, as I recall it, and Mr. Church and Mr. Vail, and possibly Mr. Lyons, and it might have been someone else; it rather lies in my mind that there was someone else, but it was—as I recall it, they said that on that day they had been cleaning up some of the subcontracts with the Standard Steel Car people, and I think he said that a representative of that company was there at that time. I do not think I met the representative; I did not have any conversation with him.

Mr. GRAHAM. You think it was in April?

Mr. DORR. The date can be fixed exactly; I can not recall it from recollection. I went out to attend the convention at the request of the United States Chamber of Commerce. I was invited to make a general statement as to the settlement of Government contracts—that was the national convention of the United States Chamber of Commerce. I went to Chicago for a day or two and went into the Chicago offices, and from there I went to Detroit, and then home. That date can be fixed exactly.

Mr. GRAHAM. That was all that you remember of that particular—

Mr. DORR (interposing). As to the Standard Steel Car?

Mr. GRAHAM (continuing conversation). Yes.

Mr. DORR. I do not know whether it was at that time or not, but the question came up of the method of settlement or the method of remuneration for the uncompleted portion of the work—that is, where

a work was in process, but had not resulted in finished product, but I was informed there at that time, or before at a subsequent time, that the Standard Steel Car Co. were insisting that for the expenditures which they had made on work which had not resulted in completed product that they ought to receive a sum which would be that portion of their profit, which would bear the same ratio to the portion of their profit as to the extent of the work which had been done compared to the whole order. Do I make that clear?

Mr. GRAHAM. In other words, they claimed the work was 82½ per cent done, and that they ought to have 82½ per cent of their profit?

Mr. DORR. Yes. At that time—if it was at that time; I am not clear—this matter came up some time and I discussed it with the people in the ordnance here and with the people out there.

Mr. GRAHAM. Who did you discuss it with here, Mr. Dorr?

Mr. DORR. One conversation I recall very distinctly, and that is with Col. Delafield, who at that time was legal adviser of the advisory section of Ordnance, and I discussed it also with the attorney for the Steel Car Co., McKinney, and I think probably Mr. Cory. I do not know whether—according to my personal recollection it was Mr. Cory.

Mr. GRAHAM. Mr. Cory was located here at Washington at that time, was he not, Mr. Dorr?

Mr. DORR. I do not know about that.

Mr. GRAHAM. He is, at any rate, an officer of the Standard Steel Car Co.?

Mr. DORR. My understanding is that he was an assistant to the president. At all the conversations that I had in Chicago and with the Ordnance officers in New York and with these men, it impressed my mind very strongly, and it was my view and the view of all of the Ordnance people with whom I had any conversation about it, that the settlement ought not to be made on that basis.

Now, may I make one other—State one other thing: The dates on this thing are not very clear in my mind, and I recall this: At some time last spring, whether it was before or after the visit to Chicago, the question of form of certificate which should be issued was taken up by Ordnance with me, and that the Standard Steel Car people took that question up, the question being this, as I understand it: They objected to the form or the statement of the agreement which Ordnance had framed. They wanted to have, as I recalled, merely the original procurement orders. The original procurement orders did not contain any termination clause; they did refer, however, to the standard form of contract. It was their intention that there was not a standard form of contract at that time, and that they could not identify any particular form of termination clause, and that therefore it ought not to be put in.

It did not seem to me very material, the claim being under the Dent Act, whether it was attempted to phrase a particular termination clause or not, because the only bearing that I could see it has on it might be on the question of prospective profits, and that under the Dent Act they were precluded from preceding at any rate, but it did have this effect. Their argument was that if they went to the Court of Claims that the Court of claims might take a different view of whether or not those procurement orders were or were not valid contracts; if they were valid contracts, that then they would be entitled to

prospective profits, and on that, as a legal question, I disagreed with them, but their attorney——

Mr. GRAHAM (interposing). Insisted upon it?

Mr. DORR. Well, he said he did not—and as a result, no agreement was come to upon the terms of the agreement, because we were unwilling to issue a formal agreement in the form that they requested.

Mr. GRAHAM. Mr. Dorr, in regard to the point we are particularly interested in, let us come to the relation with Col. Hughes and this thing. When did Col. Hughes first get into it?

Mr. DORR. As to that, my first information—of course, I can not say when he first got into it—was this: Col. Reeves, who was the special member of the War Trade Claims Board in charge of Ordnance claims, was going out to Chicago. Knowing that this was one of the important claims out there, I suggested to him when went out there that he look into it and see what progress was being made. On his return he reported to me that he had had a conversation, as I recall it—some conversation with Mr. Russell about it and some conversation, I am also quite sure, with Col. Hughes about it; and I think that was the first that I had learned about his connection. But there again I may be wrong, because Col. Pierce, of the Ordnance Board, very frequently talks about the personnel, and he may have told me prior to to that time that he sent Hughes out to Chicago, and I do not think he would have mentioned his having any connection with that at all, but he may have.

Mr. GRAHAM. Col. Reeves testified before this committee—if I am wrong about this my colleagues here will set me right—that he was called to your office and that he found there Col. Hughes and that on that occasion you told Col. Reeves to accompany Col. Hughes to Chicago.

Mr. DORR. I was coming to that. You asked me the first time I ever knew of any connection of Col. Hughes with the matter.

Mr. GRAHAM. Now, tell us about this latter time.

Mr. DORR. I think, as I say, that Col. Reeves told me that Hughes was doing work in connection with the plant. But I will not be positive about that. If Col. Reeves's recollection is the other way, I know his recollection would be accurate. The first time that I saw Hughes in connection with the matter was when he came to my office and reported that they had reached an agreement as to the claim, and also as to the salvage offer of the Standard Steel Car Co.

About two weeks prior to that time—I think it was two weeks—Col. Arison, who was district chief, had been in Washington, and dropped in to see me, as he very frequently did when he was there, and discussed the various claims, and spoke of the Standard Steel Car and stated that they had come to an agreement as to settlement, but that there was a question as to the disposition of the buildings, which became he property of the United States under the claim, and also of certain of the material which had been bought and which would have to be disposed of either to the contractor or else turned over to the sales department for sale. He stated that they were at work on that.

Mr. GRAHAM. This is Arison?

Mr. DORR. Arison?

Mr. GRAHAM. Yes.

Mr. DORR. In connection with another matter he brought up, I had asked the chief of the director of the sales office to come into my office, and he was also present during the whole or a part of the time; Mr. Goodrich, of the technical advisory committee, who is an engineer, and whom we used in making special investigations into the value of plants, etc., and the three of them discussed in a general way the value of a plant of this description and, of course, there were no plans or anything of that sort for them, but it was just a discussion of men who were all engineers.

Mr. GRAHAM. Was this on the occasion when Hughes was there?

Mr. DORR. No; this was about two weeks prior to that; and Arison told me that he ought to be able to effect, in connection with the settlement of the claim, a disposition of the buildings and of the equipment as a whole and clean the whole thing up, and from the discussion I gathered the impression that the Arison views as to the value of the buildings were probably sound. We did not go into the thing in detail, and, of course, I am not an engineer and would not discuss it anyway. But that seemed to be the trend of the informal discussion, which was not for the purpose of deciding anything.

Mr. GRAHAM. How did Col. Arison happen to be talking to you about that? Did he open the subject, or how was the subject approached?

Mr. DORR. I have been very much interested in claims work in the last two months, in making sure that we were disposing of our facilities to satisfactory advantage, and it is one of the most difficult things we have to do and also one of the most important in claims work, and for that reason I have not asked the chief of the plant of the director of sales office section in reference to results in getting up a list of all facilities we would have to dispose of in connection with claims, and we have been planning a survey by engineers who would go out from Washington to confirm the views of the local boards on those matters, and I think the way the Standard Steel Car matter came up was this, that I think I asked Arison—as I did all the different chiefs with whom I came in contact at that time—for a statement of what the situation was as to those contracts which involved the disposition of government-owned facilities, and he mentioned that as one. I do not think I knew prior to that time there was one.

Mr. GRAHAM. Did he tell you in that conversation or any other conversation whether a committee had been working on that claim from his board?

Mr. DORR. Yes, sir; he told me that.

Mr. GRAHAM. What did he tell you?

Mr. DORR. As to it?

Mr. GRAHAM. Yes.

Mr. DORR. As to who the committee were?

Mr. GRAHAM. Did he tell you that committee had been working on it?

Mr. DORR. I think he told me they were working on it. I do not recall whether he mentioned the names or not. I think he told me this—it is hard to come back into all this—

Mr. GRAHAM. I presume it is, Mr. Dorr.

Mr. DORR. But I think that he told me that he had made an examination himself, and then the committee had made one, and the views on that building had very nearly checked, something

sort. Who the committee were or whether he himself was a member, I will not be positive one way or the other, but I give you my best recollection of it. Shall I go on and tell you what occurred with Col. Hughes?

Mr. GRAHAM. Yes, if you please.

Mr. DORR. Col. Hughes said that they had come to a conclusion on the matter and that they were desirous of closing the case up. I was of the opinion the matter was of sufficient importance to give it rather more careful scrutiny than—I won't say more "careful scrutiny," but scrutiny in the field that was not ordinarily given by either our representative or the Ordnance Bureau Board, and two special members of Ordnance for that very purpose. I called Col. Reeves in and told him that I thought it was desirable that he should go onto that claim himself; that we should make use of the technical advisory committee on this case, which was constituted to deal with questions of quality, and that it seemed to me the best thing to do, the speediest thing, the most effective way was for them to go out to the plant and go over the thing with the men whose work they were to review, so that they could get all the angles of it. That was my view—that occasion for a good deal of delay in that claims work is that the districts will send in a report on settlement, and there will be many things which, if you are on the ground and see the plant and see the location, intangible things, difficult to put into the report, will put it in very different light than if you have the written word.

Mr. GRAHAM. Was it your object, Mr. Dorr, in sending Col. Reeves that Col. Reeves should pass on the claim there, or that he should act in an advisory capacity; which?

Mr. DORR. The set-up in the War Department war claims board is such that Col. Reeves, as a special member, has the authority to make a final decision in approving an award without reference to the board as a whole. In cases of difficulty coming about, the special member sometimes brings it before the board as a whole.

Mr. GRAHAM. You say the "set-up" in the board is such that he has this authority?

Mr. DORR. Yes.

Mr. GRAHAM. Has any formal resolution been passed of that kind?

Mr. DORR. Oh, yes.

Mr. GRAHAM. Giving any member of the board authority to make a final decision?

Mr. DORR. No. If I may give you the history of that proposition, perhaps it would be a little clearer to you, Mr. Graham. Originally the settlements of contracts and final disposition was made by the bureaus. At the time that the Dent Act was before Congress there was some discussion as to the degree of supervision which the Secretary of War was exercising and could exercise over contracts, and there was some question as to whether or not it was desirable to set up an entirely new machinery for the adjustment of contracts. At that time Mr. Crowell, the Secretary, stated that after consideration that the supervision of the settlement work would be undertaken by him, and that there would be and there was immediately supervision over the work of the bureaus. In order to effect that supervision over the work of the bureaus a department claims board was established, the Assistant Secretary acting as the president of that board, the other general members originally being Gen. Burr and myself.

It was wholly impracticable for the Secretary, Mr. Crowell, Gen. Burr, and myself, all of whom had other duties to perform, to go into each of the 25,000 contracts and innumerable subcontracts sent to be settled. It was felt that the function that we should perform was, in the first place, to pass on policies and on bases of settlement which would be authorized, and to pass on any particular points of difficulty that should arise in the process of the work, and to exercise supervision over the way in which the work was actually being done, and in that way, so far as possible, to insure the different bureaux acting according to instructions and acting in the same way. In order to effect that, it seemed to us that the most effective way was to pick out what were known as the special members of the board, and to designate one or more, as the needs might be of the work to each bureau, and have them actually see the work as it went on in that bureau, with authority to approve the action of the bureau boards—that is, they were there, they saw what the bureau board was doing, its methods and heard the reasons it had for acting. And therefore special members were appointed, and they looked at the work of the various bureaux.

Mr. GRAHAM. Was Col. Reeves appointed for that purpose?

Mr. DORR. Oh, yes. He was not the original member. Col. Davis, of New York, was the special member for Ordnance.

Mr. GRAHAM. Was the order issued by the board giving him authority to represent the entire board?

Mr. DORR. Oh, yes.

Mr. GRAHAM. I think you had better give us a copy of that order so that we can incorporate it in our record here.

Mr. DORR. Yes.

(The order referred to was submitted by Mr. Dorr, and is here printed in full, as follows:)

WAR DEPARTMENT,
OFFICE OF THE ASSISTANT SECRETARY, DIRECTOR OF MUNITIONS,
Washington, D. C., October 25, 1919.

Hon. WILLIAM J. GRAHAM,
*Chairman Committee on Expenditures for the War Department,
House of Representatives, Washington, D. C.*

MY DEAR MR. GRAHAM: Pursuant to the request of the committee, I inclose herewith copies of the resolutions of the War Department claims board authorizing the special members of that board accredited to the various bureaux to approve settlement contracts and awards under the act of March 2, 1919, and of Col. Ira L. Reeves's appointment as special member with authority to approve ordnance settlements. Also copy of Supply Circular No. 17, revised, in which a minor change in the form of action to be taken by the special members of the War Department claims board was authorized, as appears on page 17 thereof.

In referring to members of the War Department claims board in my testimony, it is my recollection that I did not give the name of Lieut. Col. A. R. Brindley, who has recently been appointed a special member of the board, but who has not yet entered upon the performance of his duties; also Mr. James R. Frazer. Brig. Gen. H. M. Lord, Director of Finance, is also a member of the War Department claims board, and Lieut. Col. J. F. Sears, of his office, acts as his alternate. Col. G. H. Stewart, of Ordnance, who acts as a contract assessor at Toronto on behalf of the War Department, has authority, as special member of the War Department claims board, to execute awards under the Dent Act on Canadian agreements. Under certain limitations, the Ordnance district chiefs have authority to act for the War Department claims board in making and approving awards authorizing partial payments.

In response to a question, it is my recollection that I stated to the committee that I did not know of any cases where a final award had been

had not been executed in Washington other than the award made in the case of the Standard Steel Car Co. This is accurate, so far as awards which pass through the bureau boards are concerned, but such final awards are regularly executed by the special member of the War Department claims board in Toronto in Canadian settlements under the Dent Act.

Since testifying, it has been called to my mind by Col. Reeves that at the time Col. Hughes took up the question of the Standard Steel Car Co. settlement in Washington I had already arranged for him to take a trip into the field, which included the Chicago office on his itinerary, and that it had been already arranged for him to leave Washington on that afternoon. The Standard Steel Car Co. matter was added to the other matters which Col. Reeves was to take up on his trip, and it was arranged that Mr. Safberg, a factory expert attached to the War Department claims board, and Mr. Hodge, an experienced engineer, should be in Chicago at the same time as Col. Reeves.

I should appreciate it if these corrections may appear in the record, and shall be very glad to appear before the committee and state them orally if it is the committee's desire; and I shall, of course, be very glad to furnish any other information at my command.

In questions asked of me by the committee it was stated, as I recollect, that only one member of the Ordnance claims board was present in Chicago at the time of the award to the Standard Steel Car Co. I am informed by the chairman of the Ordnance claims board that Mr. Graves, a member of that board, as well as Col. McFarland, was present and acted for that board.

The committee also indicated by its questions that it was its understanding that Mr. Hodge did not arrive until after the award was made. I am informed by Col. Reeves that Mr. Hodge arrived in Hammond late on September 25 and at his request proceeded to make an examination at the plant and on the following day submitted a written report prior to the execution of the award.

Very truly, yours,

G. H. DORR,
Assistant Director of Munitions.

Resolved, That the special members of the War Department claims board be authorized to pass upon and approve or disapprove settlement contracts approved by the claims board, board of review, or other final reviewing agency of the bureau to which they are accredited, and to indicate such approval by affixing to that copy of the contract which is to be retained in the files of the bureau the word "Approved."

WAR DEPARTMENT CLAIMS BOARD,
By _____, *Member.*

And by signing and dating such approval.

When a contract is not approved the special member will, at the request of the claims board, board of review, or other final reviewing agency of the bureau, or may, in his discretion, without such request, refer the matter to a regular or special meeting of the War Department claims board for consideration.

(Adopted at meeting No. 6, Jan. 25, 1919.)

A true copy.

Attest:

A. L. LANSDALE,
Recorder, War Department Claims Board.

Resolved, That the special members of the War Department claims board, accredited to the claims board of the supply bureaus, be authorized on behalf of this board to approve or disapprove of awards approved by such claims boards under the act approved March 2, 1919, entitled "An act to provide relief in cases of contracts connected with the prosecution of the war, and for other purposes," and to indicate such approval by affixing to the award the words "Approved by authority of the Secretary of War."

WAR DEPARTMENT CLAIMS BOARD,
By _____, *Member.*

Dated Washington, D. C.

When a contract is not so approved the special member will, at the request of the bureau claims board, or may, at his own discretion, without such request,

refer the matter to a regular or special meeting of the War Department claims board for further consideration.

(Adopted at meeting No. 20, Mar. 11, 1919.)

A true copy.

Attest:

A. L. LANSDALE,
Recorder, War Department Claims Board.

Resolved, That in order to expedite the work of contract adjustment it is important for the members of the board, whose duties permit them to do so, to visit the district offices where settlements are being made for the purpose of ascertaining causes of delay in the making of settlements and to remove the same. When dealing with questions presented to them upon these trips, whether under the settlement of valid contracts or claims arising under the act of March 2, 1919, the War Department claims board members are empowered to exercise the full and final authority possessed by this board.

(Adopted at meeting No. 34, Apr. 15, 1919.)

A true copy.

Attest:

A. L. LANSDALE,
Recorder, War Department Claims Board.

3. On motion of Maj. Gen. Burr, duly seconded by Lieut. Col. Bolles, the following assignments were made: Col. Schley accredited to claims board, Office Director of Purchase; Col. Reeves accredited to claims board, Office Chief of Ordnance; Col. Dalton accredited to claims board, Office Chief of Ordnance; Mr. C. A. Marshall accredited to claims board, Air Service, each with authority, in the name of the War Department claims board, to make awards and approve or disapprove supplemental contracts recommended by the bureaus to which they are respectively assigned.

(Adopted at meeting No. 83, Sept. 12, 1919. Revised as above at meeting No. 84, Sept. 16, 1919.)

A true copy.

Attest:

A. L. LANSDALE,
Recorder, War Department Claims Board.

WAR DEPARTMENT,
OFFICE OF THE ASSISTANT SECRETARY, DIRECTOR OF MUNITIONS,
Washington, D. C., August 4, 1919.

From: The Assistant Secretary of War.

To: Col. Ira L. Reeves, Infantry, United States Army.

Subject: Appointment as member of War Department claims board.

1. You are hereby appointed a member of the War Department claims board, to become effective this date, with power, in the name of the War Department claims board and by its authority, to approve supplemental contracts and to make awards, under the act of March 2, 1919, approved by the claims board of the Ordnance Department.

2. You will assume the duties pertaining to this office at once.

BENEDICT CROWELL,
The Assistant Secretary of War.

A true copy:

IRA L. REEVES,
Colonel, Infantry, United States Army.

Mr. GRAHAM. Then Col. Reeves had been appointed by your board or by the Secretary of War to do this work?

Mr. DORR. His designation, as I recall it, was signed by the assistant secretary.

Mr. GRAHAM. The Assistant Secretary of War, Mr. Cro

Mr. DORR. Yes; as president of the War Trade claims board.

Mr. GRAHAM. Did you ever know a case, Mr. Dorr, when a final award was made by Col. Reeves, or any other man in the War Department claims board, in other claims?

Mr. DORR. Why, there have been many thousands.

Mr. GRAHAM. In which he is the only man that passed on it?

Mr. DORR. No; in which he is the only member of the War Department claims board that passed on it, because that—that is, any—if the board attempted to act on all these by the board meeting it, its action could not be other than pretty perfunctory.

Mr. GRAHAM. What part of the work did Col. Reeves have, what particular sections?

Mr. DORR. Ordnance.

Mr. GRAHAM. So that he could pass on all Ordnance claims for the War Department claims board?

Mr. DORR. Yes. He did not have to if he did not want to; if it was a question in which there appeared to be a departing—

Mr. GRAHAM (interposing). In this particular case, Mr. Dorr, did you find that Col. McFarland, of the Bureau of Ordnance board of Washington, and Col. Reeves, of the War Department Claims Board, signed what pretended to be a final award in this matter, and upon which this contractor received considerable sums of money, and upon which a settlement was made?

Mr. DORR. Yes.

Mr. GRAHAM. In other words, the Chicago district claims board, one representative of the Bureau of Ordnance board of Washington, one representative of the War Department Claims Board went to Chicago and signed a final award and made a settlement. Do you know of any other case in which that was ever done?

Mr. DORR. So far as the action being representative of the War Department Claims Board goes, being one member who makes the award, that is the practice.

Mr. GRAHAM. But he never does that until the bureau board refers it to him, does he? Do not all these claims, in other words, go from the district board to the bureau board, and then from the bureau board to the War Department Claims Board?

Mr. DORR. I do not know the records on this thing, but I assume the bureau board had authorized Col. McFarland to act for it.

Mr. GRAHAM. I do not know whether they had or not. We have no record of that kind. All we know is that these two men went to Chicago and made an award. Now, the question was whether that was an usual or unusual procedure.

Mr. DORR. As the work has approached a conclusion, and as it has been felt that it was very essential to take, if anything, rather more care with the review of the work of the district boards, and at the same time to avoid delays which result from the transmission of papers—

Mr. GRAHAM (interposing). I understand that, Mr. Dorr—

Mr. DORR (continuing). And for that reason in this case—and it would be the practice which, while I think not heretofore followed; I do not know whether it has ever been followed before; that is, I do not know whether an award has actually been signed in the district, with the exception of certain partial awards—it is the practice, and has been, and there have been a great many instances of it, where

partial awards have been made in the districts without the papers being sent to Washington.

Mr. GRAHAM. Yes; but the thing we want to know, Mr. Dorr, is this: We have been informed by several men who had to do with this matter that this is the only case they knew of where anything of this kind was done. Do you know of any other case?

Mr. DORR. I think it is the only case that I know of in which the Ordnance Bureau board has formally acted through a representative who was not actually physically in Washington; but I won't say that for sure.

Mr. GRAHAM. Did you know Col. McFarland was going out representing the bureau board?

Mr. DORR. As I recall it, about that time I had a talk with Gen. Williams, in which we were discussing the importance of cleaning up the settlement work and methods which could be used in doing it, and I think I referred to the fact that I had sent Col. Reeves and members of the technical advisory section to go out there and look the thing over on the spot, and I thought that by that method the matter could be expedited, and I think at that time Gen. Williams mentioned that Hughes had been in to see him and that he had sent some one out from Ordnance; and I am not sure whether—I remember Col. Reeves saying to me that some one ought to go out from the Ordnance Bureau Board, and I said, "Yes; surely."

Mr. GRAHAM. Did you know they were going to go out there and allow that claim there?

Mr. DORR. Allow it there?

Mr. GRAHAM. Yes.

Mr. DORR. I do not think that matter crossed my mind one way or the other. I would not have had any objection to it being done if the ordnance board saw fit to do it that way. As far as Col. Reeves was concerned, I felt he would be much more competent to pass on that claim there, after having been on the ground and seen the thing, than he would if he were in Washington, and he had authority to do it in either event; and as to what the Ordnance Bureau board felt it would do in the matter was a thing which was for them. I am quite sure it was the practice.

Mr. GRAHAM. What was the particular necessity for adopting this unusual measure in this particular claim? What was the idea?

Mr. DORR. The idea of it?

Mr. GRAHAM. Yes.

Mr. DORR. It was simply this: This was a claim on which there had been—it was of considerable size, as I understood it, and one which involved the disposition of some Government facilities, and I felt that it should receive on those points, points on which I was particularly interested—that it should receive particular attention.

Mr. GRAHAM. But it did not receive as much attention as most any ordinary claims, did it?

Mr. DORR. It received more. In this case—ordinarily, the action taken by boards in Washington is based merely on the paper reports of the recommendations of the men in the field. In this case there was not only that, but the actual inspection by members of both the Ordnance Bureau board and War Department Claims Board, and, in addition, the inspection by a competent engineer who had no connection with the ordnance, simply was called

look after that particular thing and pass judgment on that value of the building.

Mr. GRAHAM. Do you know how much inspection they gave it?

Mr. DORR. Why, I imagine——

Mr. GRAHAM (interposing). Do you know?

Mr. DORR. No; I do not.

Mr. GRAHAM. Do you know whether or not any engineers were out there with them?

Mr. DORR. My information is that a Mr. Sofberg went out for consultation with regard to the salvage of equipment or of material, and that a Mr. Hodge went to Chicago at the direction of our board or of a member of it. Col. Reeves or Mr. Goodale went to Chicago, from, I think, somewhere in the West.

Mr. GRAHAM. Now, let me see if I understand you correctly. You found it was necessary to expedite this matter because of the Government's special facilities which were there? Was that one of the reasons?

Mr. DORR. No; not to expedite it, but to give it an inspection; and to my mind, I thought if that were going to be done it ought to be done promptly.

Mr. GRAHAM. Ordinarily this bureau board in Washington, then, in your judgment, simply gives a paper inspection of the claim?

Mr. DORR. No; I won't say that; they give an inspection of the papers and form their judgment.

Mr. GRAHAM. From the papers?

Mr. DORR. Ordinarily from the papers.

Mr. GRAHAM. Well, is not that about what I said?

Mr. DORR. But, in the event that from those papers they feel a further inspection should be made, they may do that or they might simply send the papers back.

Mr. GRAHAM. How many are on that Ordnance Board?

Mr. DORR. How many?

Mr. GRAHAM. Yes.

Mr. DORR. Oh, I think they have eight or nine members.

Mr. GRAHAM. They all have a chance to look at the claims filed?

Mr. DORR. They all have a chance to, and a great many of them, as I understand it, are circulating through the districts, supervising the work of those districts, and very frequently settling claims in the field. It has been absolutely essential in order to get the work done that there be decision on points as they arise in the course of settlement.

Mr. GRAHAM. Let me see whether I understand you right. The gist of your testimony, as I get it, is that you received your first information about this and your first suggestion from Col. Harrison, and, acting on his suggestions, you based what you did in following that; is that correct?

Mr. DORR. No; I based what I did in the matter on the policy which I conceived should be followed where special facilities were involved.

Mr. GRAHAM. Well, special facilities were involved at almost every ordnance claim, were they not?

Mr. DORR. I say "special facilities" where there was Government building of considerable amount.

Mr. GRAHAM. That was involved in something like 2,000 different claims, was it not, and you never did this in any other case, did you?

Mr. DORR. Oh, yes.

Mr. GRAHAM. In what other case, Mr. Dorr, did this procedure prevail?

Mr. DORR. You mean of sending people out into the field?

Mr. GRAHAM. Yes; to pass on the claim there.

Mr. DORR. To pass upon it?

Mr. GRAHAM. Yes; a bureau board and a representative of the War Department Claims Board should pass on it in the field and make a final award.

Mr. DORR. Of course, there was—at the time that they left Washington—the question of making an award in the field, so far as I was concerned, had not arisen.

Mr. GRAHAM. You did not know they were going to do it?

Mr. DORR. Why, of course not, because you could not tell what the conclusions would be, whether there would be any award; but Col. Reeves had absolute authority to do it; it was his authority, and his authority is not limited to action in Washington; and if they came to that conclusion there and if McFarland was authorized to approve for the Ordnance Bureau Board, and I assume he was, why, it would be entirely immaterial whether the actual papers were signed in Chicago or signed in Washington. As I say, there is authority now in the districts to make partial awards to a very considerable extent, and has been.

Mr. GRAHAM. The procedure ordinarily is this, is it not, that it is passed on by the district claims board, and then the claim is sent to the Bureau Ordnance Board, and then it is passed on, and finally goes to the War Department Claims Board; that is the procedure, is it not?

Mr. DORR. In the case of partial payments, no; in the case of partial payments.

Mr. GRAHAM. We are speaking of the final claim.

Mr. DORR. That is the place.

Mr. GRAHAM. This is an entirely safe procedure, too, is it not, because it gives two boards of review the chance to revise and review the work of the lower board; do you think that is a good practice?

Mr. DORR. That is the practice, as I understand it, which was followed in this case.

Mr. GRAHAM. Well, it was not, as a matter of fact, unless you say that when Col. McFarland and Col. Reeves went to the district and acted on it there that they were acting on these two boards.

Mr. DORR. Well, Col. Reeves certainly was, and I assume that Col. McFarland was also.

Mr. GRAHAM. So you think it went through the three boards at Hammond, Ind., or Chicago, where they passed on it?

Mr. DORR. Chicago? It certainly went through the War Department Claims Board in precisely the way in which its procedure contemplates, namely, its representative passed on the claim.

Mr. GRAHAM. How many cases had Col. Reeves drawn to the district within your knowledge and there signed a final award?

Mr. DORR. This is the only case which I know of, but his authority to do so, so far as the board goes, is unquestioned.

Mr. JEFFERIS. You are on the War Department Claims Board, are you?

Mr. DORR. Yes.

Mr. JEFFERIS. What position do you hold?

Mr. DORR. On the board?

Mr. JEFFERIS. Yes.

Mr. DORR. I am a member of the board, and, in the absence of the president of the board, I am acting president of the board.

Mr. JEFFERIS. Who constitutes the War Department Claims Board?

Mr. DORR. At the present time?

Mr. JEFFERIS. Yes.

Mr. DORR. The Assistant Secretary of War is the president of it; Gen. Burr, the Director of Purchase, Storage and Traffic, is a member—the general member; I am a member; Mr. Robert C. Goodale is a member; Col. Delafield, chairman of the Board of Contract Adjustment, is a member; Mr. Fairbanks is a member—there have been some changes in the personnel recently—Mr. Marshall is a special member; Col. Bowles is a special member; Col. Reeves is a special member; Col. Dalton is a special member; Col. Schley and Col. McKinney are special members.

Mr. JEFFERIS. You have two kinds of membership?

Mr. DORR. Yes; two kinds

Mr. JEFFERIS. What are they called?

Mr. DORR. Why, they are called members and special members.

Mr. JEFFERIS. Who appoints the special members?

Mr. DORR. Who appoints them?

Mr. JEFFERIS. Yes.

Mr. DORR. They are appointed by the Assistant Secretary and, in his absence, by me—that is, when he was abroad I was acting president of the board.

Mr. JEFFERIS. Who appoints the regular men?

Mr. DORR. The Assistant Secretary.

Mr. JEFFERIS. Then, as I understand it, the War Department Claims Board has passed a resolution which authorizes a single member, who may be a regular member of the claims board or a special member, to act in settling the claims of the board; is that it?

Mr. DORR. Well, that does not mean that Col. Reeves, for instance, could not sign an award for the ordnance; it would mean that Mr. Marshall could sign an award in ordnance, but Col. Reeves can sign an award in ordnance and Col. Dawson can sign an award in ordnance.

Mr. JEFFERIS. He would stick to ordnance.

Mr. DORR. Col. Fairbanks could not; he could not sign any award at all.

Mr. JEFFERIS. We will stick to ordnance. As I understand it, the War Department Claims Board, by resolution, has authorized, we will say, a special member of the War Department Claims Board in Ordnance to settle a claim, and his act is supposed to be the act of the board; is that right?

Mr. DORR. He acts for the board in his approval of the Ordnance claims and in the making of awards in Ordnance.

Mr. JEFFERIS. Then, as a matter of fact, there is no action, you might say, by the board, a number of gentlemen, but only in this way by a single representative doing it?

Mr. DORR. That is true of all claims except those which the special member refers to the board for its instructions or to the standing committee for its instructions. There are cases where the special member may be doubtful about the settlement arrived at by the board, and there may be cases in which he is in disagreement with the bureau board, and in those cases he may bring it before the board as a whole for its action. Those cases are not numerous.

Mr. JEFFERIS. But if the special committee member that has been designated by the War Department Claims Board approves a settlement, why, then, it never gets before the whole board at all?

Mr. DORR. No; that is as I explained—any other procedure would seem that the work could not be done by a single supervising agency. The principle upon which the board is established is primarily the determination of general policies.

Mr. JEFFERIS. What?

Mr. DORR. As a board, the board determines general policies.

Mr. JEFFERIS. It just determines general policies and designates individuals?

Mr. DORR. To see that they are carried out.

Mr. JEFFERIS. To see that they are carried out?

Mr. DORR. Yes; that is it.

Mr. JEFFERIS. So, as a matter of fact, there is not any board or court, as you might say, that takes the findings or recommendations of the special member of the War Department Claims Board and passes on it officially?

Mr. DORR. No.

Mr. JEFFERIS. Is that true of the Ordnance Bureau Board here in Washington, also?

Mr. DORR. That I can not speak with positiveness of. I understand, however, that except in cases where a representative is sent in which he failed to decide some questions or to make decisions that there the matter is presented to a group of members—not all the members; that is, I do not believe that their rules require all nine members, or I do not know whether they require five of those present at a meeting to do business, because one of the functions of the members is to go out into the field and supervise the work that is going on there and give instructions and help and assist.

Mr. JEFFERIS. Who was that designated Col. Hughes to go out to Chicago and take up this Standard Steel Car Co. claim?

Mr. DORR. My understanding is that Col. Hughes was designated to go to Chicago as ordnance officer in that department. I am not positive about that; I am merely giving you my understanding; and that, being in Chicago, they felt that his services could be made use of in the district board.

Mr. JEFFERIS. Who really sent him out there?

Mr. DORR. I suppose the Chief of Ordnance.

Mr. JEFFERIS. You do not know that personally?

Mr. DORR. Only except he is an ordnance officer and orders to ordnance officers come from the Chief of Ordnance.

Mr. JEFFERIS. You do not know when he was sent out first?

Mr. DORR. Why, my impression is some time last summer, but it may have been earlier.

Mr. JEFFERIS. Do you know whether he was sent out for any particular reason or not?

Mr. DORR. Why, he was sent out, as I understand it, as ordnance officer for that department. That is what I heard, when I first heard of his being sent out there that is what I understood were his duties.

Mr. JEFFERIS. As I understand you, Col. Arison, so you understood, was at the head of the claims board in Chicago. The bureau claims board came to your office some two weeks before you had the talk with Col. Hughes. What did he tell you at that time?

Mr. DORR. Why, I am not sure what was the immediate occasion of his coming to my office, except that district chiefs when they are in town very frequently did drop in. But I do not think that it was about the Standard Steel Car case. The discussion of the Standard Steel Car case came up incidentally through my inquiry addressed to him as to the cases which were still pending in the district in which there would be occasion to dispose of Government-owned plants; that is, where the Government had paid for the plant, and that was one of the cases which he spoke of at that time; and there being present two engineers, very naturally there was a discussion, and he then being engaged in endeavoring to sell it, there was a discussion as to the offers which had been made—I do not know whether an offer had been made at that time—but discussion as to the value of the plant to sell.

Mr. JEFFERIS. But he told you he had reached a settlement?

Mr. DORR. Col. Arison?

Mr. JEFFERIS. Yes.

Mr. DORR. No; he told me he had reached a settlement as to the other features, but not as to the disposition of the Government-owned property; that that was in negotiation. He said they had reached an agreement as to the other items of the claim.

Mr. JEFFERIS. What items, for instance?

Mr. DORR. I suppose that question of the basis on which remuneration should be paid to the contractor—I suppose that; he did not mention it. But that would be naturally one of the items which would be considered.

Mr. JEFFERIS. Do you remember any of the items that he said they had reached an agreement on?

Mr. DORR. He did not go into a question of items when he said that they had reached an agreement on the settlement of the claim other than the questions of whether they would dispose to the contractor of the building and certain, as I understood it, equipment or other materials which the Government had paid for. I understood that he had reached an agreement as to all other items of the claim, but, as I say, that is my inference; he did not go into detail on that point.

Mr. JEFFERIS. Do you understand that was an agreement that he had reached personally?

Mr. DORR. Oh, no; I assumed that that was an agreement which had been reached, if not formally reached, at any rate informally, and approved by the district board and various members of it.

Mr. JEFFERIS. When, two weeks later, Col. Hughes came in, what did he say to you?

Mr. DORR. He stated that they had now—not only that they were in agreement as to the settlement of the claim as such, but also that the district had come to its conclusion as to what was a proper price at which to turn over the Government-owned plant and machinery or equipment, whatever it was, to the contractor, and desired to get a decision as to whether or not that would be acceptable.

Mr. JEFFERIS. Did he say what it was?

Mr. DORR. What the prices were?

Mr. JEFFERIS. Yes.

Mr. DORR. I think very probably, but I do not recall; I think very probably he did.

Mr. JEFFERIS. Who was present that time?

Mr. DORR. When he stated that?

Mr. JEFFERIS. Yes.

Mr. DORR. Why, I suppose—I do not know whether Mr. Steever was in my room; he is attached to the board, and I do not know whether he was in the room or not, and I do not know whether Col. Reeves was there or not.

Mr. JEFFERIS. Was Mr. Corey there?

Mr. DORR. No.

Mr. JEFFERIS. Was Mr. Jenks?

Mr. DORR. No.

Mr. JEFFERIS. Was there anyone with Col. Hughes?

Mr. DORR. At that time? No one came with him into my office; I do not know whether others were in the building or not; I did not see them.

Mr. JEFFERIS. Was he anxious that they should have a decision right away?

Mr. DORR. He felt that a good adjustment had been effected, and that it was important to stop the expense which inevitably attends the delay in the settlement of a claim.

Mr. JEFFERIS. Did he request that you send anybody else there?

Mr. DORR. No; I do not think he did. I think that Col. Hughes anticipated that the matter would be disposed of immediately in Washington, and I think that that was what he desired, and I think that the suggestion of making this special examination came from me.

Mr. JEFFERIS. Did Col. Hughes have with him any figures or any papers at that time to show you?

Mr. DORR. He said that he had been down to the Ordnance Bureau Board or was going back there. I do not know which, and I think he had probably been there already and had undoubtedly—oh, I do not know whether he said he had papers or not; I suppose he did. I did not look at the claim. My conversation with Col. Hughes, I imagine, took place in 15 or 20 minutes at the outside.

The thing I was interested in was in making the arrangement by which a prompt determination could be reached as to whether or not that plant was or was not going to be turned over to the Standard Steel Car Co.; if it was not, it was important immediately to put it in the hands of the director of sales to sell.

Mr. JEFFERIS. That is what he wanted to see, was it not?

Mr. DORR. Yes.

Mr. JEFFERIS. Did he show you any papers or go into detail about it?

Mr. DORR. I imagine he was prepared to. But it was not a thing which I felt I could go into in detail very profitably about. I do not go into details of settlements of claims; I do not feel particularly, on a thing like that, that my judgment is a thing which I feel is of value. I feel my function in the matter is to see that people who are competent, and whose judgment is good, look into it, and for that reason I desired that Col. Reeves, in whom I have every confidence as a broad-gauged man with sound judgment, should go out and look over the thing as a whole, and that Mr. Sofberg—

Mr. JEFFERIS (interposing). Did Col. Hughes suggest Col. Reeves?

Mr. DORR. No; I do not think—I am sure he did not; no, I did.

Mr. JEFFERIS. What is that?

Mr. DORR. No; I am sure he did not.

Mr. JEFFERIS. You suggested him, did you?

Mr. DORR. Yes; as the senior of our special members in ordnance, and a man in whom the secretary, I know, has very great confidence and in whom I have great confidence.

Mr. JEFFERIS. Did you give him instructions as to what to do out there?

Mr. DORR. Why, I recall this—I do not know whether it was in connection with Col. Reeves or not—but I am quite sure that I told him that I thought an engineer ought to go out to look at the question from the value of the plant; and our first thought was Mr. Goodrich, with whom Col. Arison had had some talk when he was on before, and of whom we were making some use in that connection; and they tried to get Mr. Goodrich, but Mr. Goodrich—could not reach him; I think he was in the Adirondacks.

And I also said I thought they ought to have somebody on the equipment value of it, and they selected—that was taken up with Col. Reeves by the technical advisory people, and they chose Mr. Sofberg, a man who is acquainted with factory equipment and its values, and I do not know if Col. Reeves selected him or who selected him. I do not think I did.

Mr. JEFFERIS. Do you know how Col. Hughes happened to come down here at that time?

Mr. DORR. I have no information at all, except that I assume that, the matter having reached the stage where the district had gone as far as it could without approval from Washington—

Mr. JEFFERIS (interposing). It had not made any official award, had it?

Mr. DORR. Well, they did not make an official award; they make recommendations. I do not know in what form the papers were; I did not go into the question of papers.

Mr. JEFFERIS. Do you know whether they had any papers?

Mr. DORR. I do not know; no, Mr. Jefferis; because I did not ask. But I assume he had.

Oh, just one other thing: You asked whether any directions were given to Col. Reeves. As I recall it, I was informed that they could not get Mr. Goodrich, and they perhaps simply took Mr. Sofberg, since he, as a manufacturer, had a working knowledge of the value of manufacturing buildings, etc., and I said, "I think you better try to get some man who knows the building end." And another man whom we had not used prior to that time, but, indeed, we felt if we could get we would have entire confidence in, was a Mr. Hodge, who

had formerly been in the Engineers, who was an engineer of very high standing, and he was formerly a public service commissioner in the State of New York; and it was ascertained that Mr. Hodge was not in New York, but was in Arkansas, and he was communicated with there, and at our rather urgent request went up.

Mr. JEFFERIS. According to the policy that was inaugurated by this War Department Claims Board, you do not permit unfinished material or buildings to be sold to anyone other than the contractor, do you, unless it is turned over to the salvage board, and then they sell it?

Mr. DORR. The practice is that if a sale can be effected to the contractor on a basis which gives the Government what it regards as value of the property, that then it is disposed of in the settlement of the claim. If the contractor refuses to make any offer, as is very frequently the case, or if his offer is regarded as not sufficiently high, why, then the property is turned over to the director of sales for disposition.

Mr. JEFFERIS. In other words, the claims board can not sell it to anybody else, even if they could get three times what the contractor would offer for it?

Mr. DORR. But, of course, the relationships between the claims organization and the sales organization are very close. The director of sales is also assistant director of munitions, and as such his associations with the Assistant Secretary, who has charge of both matters, are most intimate and natural.

Mr. JEFFERIS. That is the theory of it; at least, they should be close to the claims board?

Mr. DORR. Well, they are directed to be, and, further, it works out more closely than that all along down the line, you see, Mr. Jefferis. In the first place, for instance, Ordnance; there they have a sales organization and claims organization. I understand the chairman of the claims board, Gen. Pierce, is Assistant Chief of Ordnance, and he is also very intimately connected with the salvage ordinance. And so when you get out in the districts your district chief, who is ordinarily the head of the claims organization, also has under him the sales organization. So that the two—of course, nothing ever does work perfectly in the way of organization machinery. But so far as the layout goes which would ordinarily secure cooperation, I think we have it.

Mr. JEFFERIS. Then when the contractor has special facilities or unfinished material and wants to settle his claim, there are only two alternatives open to the Government under your policy, namely, to sell it to the contractor or else turn it over to the salvage board.

Mr. DORR. Yes. Of course, what frequently takes place is that before disclosing of it to the contractor, it is offered around to see whether it is possible to find a buyer.

Mr. JEFFERIS. There is not much use in offering it around if you can not sell it.

Mr. DORR. Oh, well, if any one can be found who would buy it, it can be sold to salvage at a desirable price.

Mr. JEFFERIS. The case out there at Chicago of the Standard Steel Car Co., I understand they had an offer three or four times what they sold it at to the Standard Steel Car. Co. Why was it not turned over

to the salvage department? Was the salvage department consulted as to that offer?

You say they are intimately connected. I want to know whether they function?

Mr. DORR. What would be the ordinary practice, and what I assume did happen in that case, where such an offer came in, the salvage department would be consulted as to whether they regarded that offer and the offer of the Standard Steel Car Co., which they would regard as preferable.

Mr. JEFFERIS. If they did not consult the salvage board and an offer was made for this material, you would think that would be contrary to the policy and spirit of the board, would it?

Mr. DORR. I do not know that there have been any instructions by the claims board to communicate offers, any particular offers, to the salvage board. For instance, if a district chief regarded the offer that came into the claims board as one which was not a good offer, for the reason that it only covered part of the materials and that the expense of disposing of the rest through salvage methods would more than counterbalance any difference in price, as may have been the case here—was the offer which you speak of one which covered all the material?

Mr. JEFFERIS. Oh, it covers what was given away as scrap.

Mr. DORR. Well, if the district chief, or whoever was acting director for him, felt that that was not a good offer, he might not formally put it before the salvage board.

Mr. JEFFERIS. Might not?

Mr. DORR. Might not and might, as he saw fit.

Mr. JEFFERIS. Consult him?

Mr. DORR. The district chief?

Mr. JEFFERIS. Yes.

Mr. DORR. I can conceive of cases, where the offer was not worthy of paying attention to he might not; ordinarily I would say that he would.

Mr. JEFFERIS. Then it gets down to pretty near that proposition; do they not consult the salvage board, or even the district claims board; whoever is settling claims can do pretty nearly as he pleases?

Mr. DORR. The district chief, as I say, it would be a very extreme or unusual case where he would not consult with the claims board and salvage, as to that matter, if it came in.

Mr. JEFFERIS. Why did you not adopt the policy, Mr. Dorr, of permitting people to buy from the claims board, for instance, if the claims board could get a whole lot more money for certain parts for the Government than simply by dealing with the contractor?

Mr. DORR. Than by dealing with the contractor?

Mr. JEFFERIS. Yes.

Mr. DORR. Why, that would, in effect, have made the claims organization—it would have eliminated the salvage organization if that had been done, or if they had been charged with the responsibility of the sales and had only one organization.

Mr. JEFFERIS. Suppose you had, would it not be better if you could get more money for the Government in actually selling this stuff?

Mr. DORR. The rule is as to every sale by the claims board, that before it is made the salvage board should be consulted as to whether

the price which would be obtained from the contractor is, from the judgment of the salvage board, a price equal to or better than that which it could obtain.

Mr. JEFFERIS. You say that is the rule?

Mr. DORR. That is the rule.

Mr. JEFFERIS. Is it a printed rule?

Mr. DORR. Not printed—I imagine it is printed; that is, I imagine it is printed in the Ordnance instructions. I do not know. Those instructions have been printed, I think, mostly.

Mr. JEFFERIS. Then, if that had not been done in any particular place, there was something unusual about it?

Mr. DORR. If the salvage board had not been consulted?

Mr. JEFFERIS. Yes.

Mr. DORR. It would be unusual; that is the rule in ordnance, as I understand it. Of course, where you have the same personnel engaged in both lines of work, there might not be any formal consultation, because a man in capacity as member of the claims board or member of the salvage board would know what he knew in his capacity as a member of the claims board. But the general rule is also is you would expect a statement that the salvage board had been consulted. I am not familiar with the facts of this case. I should if the ordinary procedure was followed; the salvage board or its members would be familiar with the offer that had been made by the Standard Steel Car Co. before it was accepted, and I assume that that was what was done in this case; I do not know anything about it.

Mr. JEFFERIS. Does that board have any right to veto or put a stop to the claims board accepting an extraordinarily low bid, or would it just be consulted?

Mr. DORR. In the event of a disagreement in judgment between the two, why, presumably the matter would come down to Washington and be settled by the bureau board down here or by the representative of the bureau board, if he happened to be on the spot.

Mr. GARRETT. Mr. Dorr, I understood you to state that at some time a resolution was passed by the War Department Claims Board authorizing an individual member of that to act in settlements of the award?

Mr. DORR. Yes.

Mr. GARRETT. Do you recall about what time that resolution was passed?

Mr. DORR. I think at either the first or second meeting of the board. The original order in setting up the board designated the Assistant Secretary of War and Gen. Burr and myself as members, and also designated Mr. William H. Davis, of New York, as special member for Ordnance; Col. McKinney, I think, as a special member for Purchase; and also gave authority to the Assistant Secretary to appoint special members. And then at the first meeting of the board, or the second meeting, a resolution was passed requiring the approval of the bureau settlements by the special member of the War Department Claims Board.

Mr. GARRETT. Well, that was quite a while ago, I suppose?

Mr. DORR. That was in January or February, 1919, and that's been the practice since.

Mr. GARRETT. Then that was before the passage of the Dent

Mr. DORR. That was passed with relation to the settlement of valid contracts. After the passage of the Dent Act the same procedure was adopted with regard to the Dent law claims, with exception that in the case of the Dent law claims the awarded is recommended by the bureau boards and made in the name of the War Department Claims Board by a member.

Mr. GARRETT. But the authority of the individual member is substantially the same in both classes of cases?

Mr. DORR. If anything, it is greater in the case of the Dent law claims, because there the bureau has not got any authority to take any final action. The final action is necessarily that of the War Department Claims Board, to which is committed that duty. So that in a case, for instance, as the case of this Standard Steel Car Co., the award could be made directly by the War Department Claims Board without the intervention of any other agency; it is not made that way, but could be.

Mr. GARRETT. I was absent from the committee attending a session of the Rules Committee, and I do not want to go over ground you have already covered, and if I do ask you anything that has been completely covered you can suggest it.

After Col. Reeves returned from Chicago on the occasion of the settlement of this claim did he report to you?

Mr. DORR. I think I was leaving town, but I think before I went I asked him how they made out out there, and he said that he thought the settlement was a sound one; that they had made a sound settlement. I do not recall whether I had any other conversation with him about that or not; I was away about two weeks.

Mr. GARRETT. I take it, you have no personal familiarity with this claim. Am I correct about that?

Mr. DORR. None; except as to the point which I spoke of to the committee, namely, the question of the amount of remuneration—that is, not the amount of remuneration, but as to the method of determining remuneration—and the fact that all of the Government officers, so far as I know, had been unwilling to accede to the claims of the company; and I assume that final settlement—although I do not know—proceeded along that line, and the only other familiarity I allied to the sale of this Government property came up, and I think very probably that the proposed figures were mentioned.

Mr. GARRETT. Was it ever known to you at any time prior to the final award that a company in Chicago had made a bid on this salvage material?

Mr. DORR. As to that, I am not entirely clear whether I heard of that after or at the time of one of these conferences. It may be that it may have been mentioned at one of those conferences; I do not know. I recall something having been said about some unsatisfactory bid having been received by the salvage.

Mr. GARRETT. You mean from a concern other than the Standard Steel Car Co.?

Mr. DORR. Yes; I recall something of that sort being suggested.

Mr. GARRETT. Do you know who said that?

Mr. DORR. I am not sure—if I did not learn afterwards—it did not come to me afterwards, it came from either Col. Arlson or Col. Hughes, because those were the only two sources that I can think of I

might have heard it, because those were the only two with whom I conversed about that general subject.

Mr. GARRETT. Did you inquire what the amount of the bid was, or do you recall?

Mr. DORR. I did not go into the question; it was not a thing which I was in a position or could pass on, and it was one of those things which those who went into the question of passing on the negotiations naturally passed on. My judgment on it would not have had any particular value, and I imagine you can readily understand I do not go into the adjustments of the particular plant.

Mr. GARRETT. Do you know whether, after the return of Col. Reeves and Col. Hughes, either before or after the issuance of the check, any move was made toward the holding up of the check pending the receipt of further information?

Mr. DORR. I did not know of it until—I do not know that I know of it now—but I was told the other day that something of that sort had been done.

Mr. GARRETT. Did you learn of that before or after the testimony was given before this committee?

Mr. DORR. Yes; I remember now the first intimation—in fact, the first time I knew an award had actually been made or that any money had been paid was when I was away from Washington and saw a clipping in the paper as to the testimony of witnesses before this committee, and on my return I inquired as to that.

Mr. GARRETT. I might say for your information that the testimony before this committee is that the award of the Chicago Claims Board—the formal award—was made on the 26th of September, and the award, which was signed by Col. Reeves and Col. McFarland, was made on the same date, and Col. Hughes and those gentlemen came immediately to Washington, and the check was issued and cashed within four days.

You never visited this plant, did you?

Mr. DORR. No; I do not know anything about it. The only information I ever had about the thing was, I think, somewhere in 1917 a question of some housing came up, as to whether some housing should be put in there, and a question as to whether the Ordnance Department should do it or not, and I think I ruled they could not do it under the law, that it would have to be done by the housing corporation.

Mr. GARRETT. Did Col. Reeves know at the time he left that Mr. Hodge—I have forgotten his rank—Col. Hodge—was to come up to Camp Pike?

Mr. DORR. I do not recall that. I did not arrange personally for Col. Dodge to go up there; it was arranged either by Col. Reeves or by Mr. Goodale, and, I think, by Mr. Goodale; and whether the arrangements were completed before Col. Reeves left or not I do not know. I think Col. Reeves planned to make some other stop before he went to Chicago. He may have started before that arrangement was made.

Mr. GARRETT. You are aware of the fact that Col. Hodge did not reach there until after the settlement had been made?

Mr. DORR. No; I did not know that. In fact, I may say it rather surprises me.

Mr. GARRETT. He was the only officer ordered there from Camp Pike, was he not?

Mr. DORR. He is not an officer; he is not in the service. He was just a special employee.

Mr. GARRETT. He was the only person who was requested to go there from Arkansas, was he? It is in testimony before this committee, though I do not think the name was given before, that the gentleman was expected there and he reached there about 5 o'clock in the afternoon of the 25th?

Mr. DORR. Yes.

Mr. GARRETT. And when he reached there the negotiations had all been concluded. Of course, the papers were not formally signed until the following day in Chicago. It is not in testimony as to whether Mr. Hodge did anything after he got there, but he did not reach there until 5 o'clock and everything had been voted upon—if it was Hodge.

Mr. DORR. It seems to me some one told me—I think it was Col. Arison—

Mr. GRAHAM. It was Hodge.

Mr. DORR. Col. Arison, I think—I am not sure—told me that Hodge had talked over those figures with him. So, I imagine there must have been some consultation, even though he did get there after that time.

Mr. GARRETT. It is entirely possible, of course. But he was not present at the conference, that is to say, if he was the man who came up from Arkansas and if he was the man who was expected there. I do not know that the name has ever appeared in our records.

Mr. GRAHAM. Except this, I think there is a statement in connection with the files signed by Hodge.

Mr. GARRETT. I mean so far as the testimony taken before this committee is concerned.

Mr. DORR. May I ask—

Mr. GRAHAM. My memory is that there is a statement of Sofberg and another statement by Hodge, but whether Hodge was there, there is no evidence any place in our record showing Hodge was there, and where this statement was secured, I do not know.

Mr. DORR. What makes me think he must have done that is that I have a recollection of—I think Arison was in Washington immediately after the settlement, and came in to see me and handed his resignation as a special member of the district claim board, being district chief, and at that time, I think, he spoke of having gone over with Hodge the figures on the building, and that they checked up very well, something of that sort. So I assume from that that Mr. Hodge must have made some examination and inspection of the plant.

Mr. GARRETT. Do you know whether Mr. Cory was with these gentlemen when they returned—Col. Reeves, Sofberg and all of them—did you see him?

Mr. DORR. No; I did not.

Mr. GARRETT. That is all.

Mr. JEFFERIS. Did Col. Arison or Col. Hughes at any time before this award was made say whether claims of the Standard Steel Car Co. had been audited by the cost accounting section?

Mr. DORR. Why, I do not think they went into that at either of those occasions; it was not a thing which—I think there was some-

thing said about this, Mr. Jefferis, as I recall it, that there was a question as to the completeness of some order, something of the sort was raised, and I think for that reason—I am not sure of this, but it can be very easily verified one way or the other—for that reason I suggested they ought to have some representative from finance go out to Chicago in the event that some question came up along that line. Do you recall from your records any representative did go out?

Mr. GRAHAM. I do not think so.

Mr. DORR. I am not sure about it. But, as I recall it, Col. Hughes said that the proposed basis of settlement would involve some saving in expense to the Government of—I do not remember whether it was in connection with the care of the property or what it was, some reason along those lines where they would be some saving to the Government if the matter could be expeditiously disposed of and recommended that disposition be made.

Mr. JEFFERIS. Did you understand that Col. Hughes or Col. Arison, either one of them, told you about agreeing on a settlement that it was a negotiated settlement, or a settlement arrived at through a cost-accounting proposition?

Mr. DORR. Why, I assume as to certain elements—as I say, I assume so now; I do not know whether I assumed at the time; I have no recollection of having thought about it—but I assume as to certain items it would have been arrived at by cost accounting. As I understand it, this contract was a contract by which we agreed to pay cost, and by which they were to receive a fixed profit. Now, so far as expenditures that were made, I assume that those expenditures were checked in the usual way by the cost accountants as to the fact expenditures had been made. As to certain phases of it, it was what I would assume that—

Mr. JEFFERIS (interposing). I am not asking you what you assume; I don't want that. I am asking if they told you anything.

Mr. DORR. As to whether it was negotiated?

Mr. JEFFERIS. Whether it was negotiated.

Mr. DORR. I gathered from what they said that it had certain elements of negotiation in it. Every such settlement does have certain elements of negotiation—that is, in this sense—that the Dent law provides that contractors shall be, or the Secretary of War is authorized to award remuneration for the work which has been done which has not resulted in completed articles. How much that remuneration should be or how it should be determined is necessarily, if the award is to be accepted and the matter is not to go to the Court of Claims, is a matter of negotiation; and that matter being a matter of negotiation, the whole settlement is in one sense a negotiated settlement.

Mr. JEFFERIS. Have there been any of these procurement-order claims gone to the Court of Claims?

Mr. DORR. I do not know of any.

Mr. JEFFERIS. In other words, the contractors have all gotten satisfaction, so far as you know, in settling with these boards?

Mr. DORR. There are appeals pending in the board of contract adjustment, for instance, where the contractors have not been satisfied with the results reached. I do not think very many. I think on the whole the contractors have accepted what has been awarded them, though I think in most cases it has been very materially less

than what they asked, and in many cases where they very sincerely believed they were entitled to more.

Mr. JEFFERIS. Do you know how many claims based on procurement orders you have had before the department?

Mr. DORR. There have been, I think, some sixty-six hundred certificates of argeement issued under the Dent law up to the present time—approximately that. I can not give you the exact figures. Of those, I think some four thousand-odd have been finally disposed of by award.

Mr. JEFFERIS. That is all.

Mr. DORR. The general basis on which those have been settled, I think, is about 12 or 13 per cent of the cost to complete that portion of the contract has been eliminated.

Mr. GRAHAM. I think that is all, Mr. Dorr. We will not need you any more on this matter.

Mr. DORR. Thank you.

Mr. GRAHAM. I am much obliged to you for your presence.

Now, gentlemen, for some months Mr. Bennett, the investigator for the committee, has been making some inquiry into some leather contracts, on which we have at times developed a little bit. Earlier in this investigation he called my attention to a great many contracts that were made by Richard H. Long, of Framingham, Mass., and his company, amounting to, as I am informed by the War Department, to about 180 or 185 contracts. Mr. Shaw tells me there are 201 of them. I think perhaps 150 of them are ordnance contracts.

The amounts involved in these contracts are approximately \$30,000,000 and they cover all kinds of leather goods—harness, gun holsters, bayonets, scabbards—almost everything that can be made out of leather and a great many articles made out of rubber. The amounts of the contracts were so large and the settlements have been so many that I thought it was entirely proper for us to investigate it to some extent, and therefore I have had Mr. Bennett go into it during the last two months and he has been to Boston and inspected the claims files there and has a great deal of information that he can give the committee and I think it might be as well for us to develop it.

I may say, incidentally, however, that some of the officers who know most about this in connection with the Boston Claims Board are not here this morning, but will be here to-morrow morning.

Col. Goetz, of the bureau board of the Quartermaster's Department, is here and wants to get away, and I suggest that we examine him before lunch and immediately after lunch have Mr. Bennett go on the stand and develop the matter in full.

TESTIMONY OF COL. GEORGE B. GOETZ, ORDNANCE DEPARTMENT, UNITED STATES ARMY.

(The witness was sworn by Mr. Garrett.)

Mr. GRAHAM. Col. Goetz, you are a member of the Bureau Claims Board, Quartermaster's Department?

Col. GOETZ. I am the salvage officer.

Mr. GRAHAM. In connection with that board?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. During the war did you have anything to do with the purchase of leather supplies for the Government?

Col. GOETZ. Yes, sir; I was head of the harness department, that had to do with the purchase of leather equipment.

Mr. GRAHAM. How long were you in that department?

Col. GOETZ. I was in that department from July, 1917, until somewhere in August or September, 1918.

Mr. GRAHAM. What were your duties, Colonel, during that period?

Col. GOETZ. Purchase and inspection.

Mr. GRAHAM. Of what sort of materials?

Col. GOETZ. Leather equipment.

Mr. GRAHAM. All sorts of leather equipment?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. When was the leather equipment supplies transferred from the Ordnance to the Quartermaster's Department?

Col. GOETZ. If I remember correctly, sometime in July, 1918.

Mr. GRAHAM. Do you know, in a general way, what the extent of the contracts were with R. H. Long & Co. of Bingham, Mass., for leather goods?

Col. GOETZ. His contracts were all for textiles and leather equipment—is in the neighborhood of \$30,000,000.

Mr. GRAHAM. Do you know the number of them, approximately?

Col. GOETZ. Well, perhaps several hundred in leather; somewhere in the neighborhood of \$10,000,000.

Mr. GRAHAM. What sort of leather goods were they?

Col. GOETZ. They were saddle bags, rifle scabbards, artillery harness, ordnance harness, halters, bridles, pannier packs, aparejos—numerous carrying cases for instruments and hundreds of other articles.

Mr. GRAHAM. Before the war you were a leather man, weren't you, Colonel?

Col. GOETZ. Yes, sir; I have been a leather-goods manufacturer all my life.

Mr. GRAHAM. And have been connected with the firm of A. D. Goetz & Co.?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. As such a manufacturer, of course, you knew the leather business pretty thoroughly when you went into this department?

Col. GOETZ. That has been my life's work.

Mr. GRAHAM. Colonel, were you at any time ever called by the department to go to Framingham, Mass., to inspect any leather goods made by R. H. Long?

Col. GOETZ. In July the Ordnance and Quartermaster were consolidated.

Mr. GRAHAM. That is, July, 1918?

Col. GOETZ. Yes, sir; the buying and inspecting activities; and it was my duties to inspect the equipment of all the plants of the contractors.

Mr. GRAHAM. Among others, did you visit the plant of R. H. Long?

Col. GOETZ. I did.

Mr. GRAHAM. Up to that time had he delivered any amount of material to the United States Government?

Col. GOETZ. Well, I believe he delivered a large amount of equipment, but how much I am not prepared to say.

Mr. GRAHAM. When did his contracts, in a general way, begin; did they begin in 1917?

Col. GOETZ. I believe they began shortly after the war was declared.

Mr. GRAHAM. So that, doubtless, up to July, 1918, he had delivered a considerable amount of leather goods to the Government?

Col. GOETZ. I presume he did.

Mr. GRAHAM. Tell us, Colonel, what you found in your inspection of leather goods that was being made at his factory at Framingham, in a general way.

Col. GOETZ. I found a lot of bad equipment.

Mr. GRAHAM. Tell us what kind of stuff.

Col. GOETZ. I found Artillery breast collars, halters, saddlebags, bridles, and many other items—parts of harness.

Mr. GRAHAM. What seemed to be the matter with them?

Col. GOETZ. It was badly cut; badly manufactured, and did not comply with the specifications.

Mr. GRAHAM. Were the specifications for these particular articles connected with the contracts or the purchase orders, Colonel?

Col. GOETZ. I presume so; the Ordnance was very strong on specifications.

Mr. GRAHAM. And did you in any of these cases inspect the specifications to ascertain whether he was complying with them?

Col. GOETZ. Many times.

Mr. GRAHAM. And what did you find; were they complying with them?

Col. GOETZ. I found that the particular trouble was in building up an organization like he had there and not having any previous knowledge of it, that the general character of his supplies would not comply with the specifications. They were cut light; they were poorly manufactured.

Mr. GRAHAM. Do you have any way of knowing what amount of this had already been sold to the Government prior to the time you went there?

Col. GOETZ. I do not know. I only know of the character of the supplies that was going through his factory at that time.

Mr. GRAHAM. Did you have any talk with the firm about it?

Col. GOETZ. The first inspection trip that I made, Mr. Long, sr., was absent.

Mr. GRAHAM. Was his son working in the factory at the time?

Col. GOETZ. I believe so.

Mr. GRAHAM. Was he an officer in the Ordnance at that time?

Col. GOETZ. I heard that prior to that time he was connected with Rock Island, but resigned for some reason or other.

Mr. GRAHAM. Do you know—when you went there he was in his father's factory?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Was he in the service?

Col. GOETZ. He was out of the service.

Mr. GRAHAM. What was he doing there; what did he seem to be doing?

Col. GOETZ. Well, he assisted his father. As I told you, the first visit I made there both the Longs were absent; but subsequently he was assisting his father in the business.

Mr. GRAHAM. What did you do with these leather goods, Colonel; did you at the time take any action?

Col. GOETZ. I rejected it.

Mr. GRAHAM. Was there a great bulk of it rejected?

Col. GOETZ. I can't go into figures. There was some 1,200 or 1,500 Artillery breast collars.

Mr. GRAHAM. Well, following your inspection trip to this factory, did you return to Washington?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. What next happened relative to your connection with this Long matter; did anyone from the Long establishment go to Washington with a complaint about you?

Col. GOETZ. Well, at the time I also inspected a number of other factories in New England, but as these people had built up an entirely new organization with apparently green help, insufficient supervision, etc., the character of the supplies were about the same, generally speaking. After I returned to Washington I found there was a general complaint lodged against me by the zone supply officer entering objection to the severity of my criticism.

Mr. GRAHAM. Do you know where that came from?

Col. GOETZ. It came from the New England manufacturers.

Mr. GRAHAM. What action, if any, did the War Department take on that?

Col. GOETZ. Well, along about—As I remember it—about the 1st of September the Quartermaster General and his assistant, Mr. Thorn, gave me a coat of whitewashing.

Mr. GRAHAM. And what did they do then?

Col. GOETZ. Well, they wrote me a letter claiming that I was too good to be an inspector.

Mr. GRAHAM. And what did they do then.

Col. GOETZ. Then they assigned me to Maj. Byron, the chief inspector of leather, but I refused to stay pigeonholed; I still continued my activities as inspector.

Mr. GRAHAM. And have since pursued those activities, have you?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. But although officially you have no connection with that department?

Col. GOETZ. I was removed as head of the harness department; they still continued to consult me on matters of importance.

Mr. GRAHAM. Do you know whether the Long Co. had had experience in this work before?

Col. GOETZ. They were pure and simple shoe manufacturers, and you know an organization to handle \$30,000,000 worth of supplies would have to have some facilities, and the supply of competent harness makers throughout the country was very limited, and they were arrogant in making demands for increased pay.

Mr. GRAHAM. How did the Long Co., not having had any experience, get all these leather contracts, do you know, Colonel?

Col. GOETZ. Well, I do not know how they got them, but they got them. I think it was a mistake in creating those New England facilities; I think it was a mistake on the part of the Ordnance Depart-

ment. If they had taken the regular harness manufacturers throughout the United States and handled them properly and given them the same encouragement they gave these outside people, I think the character of the supplies would have been much better from the start.

Mr. GRAHAM. Do you know, Colonel, whether that stuff that you rejected there was set for actual use in the field?

Col. GOETZ. It could be used, but it was so far below specifications—of course, I made no allowance for the character of Mr. Long's personnel; they knew nothing about harness making. He had Italians, he had all nationalities there, including quite a number of colored people, and they were performing all the operations in the manufacture of the leather goods.

Mr. GRAHAM. Do you know how many claims he has filed for settlement, Colonel?

Col. GOETZ. In leather?

Mr. GRAHAM. Well, leather and rubber goods.

Col. GOETZ. I do not think that Mr. Long manufactured any rubber goods. Aside from leather, I believe it was textile equipment.

Mr. GRAHAM. Perhaps so. I understood some rubber bandages and that sort of thing were manufactured by his company.

Col. GOETZ. It may be.

Mr. GRAHAM. But what is the number of claims approximately he filed?

Col. GOETZ. Twenty-two contracts constitute his leather claims, at a value of \$3,256,000.

Mr. GRAHAM. Do you know how much has been allowed to him on those claims?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. How much?

Col. GOETZ. Mr. Long demanded at the time that the settlement was taken up in the neighborhood of \$491,000, for the final termination of his claims.

Mr. GRAHAM. What has he been paid?

Col. GOETZ. Well, after all the indefinite claims were eliminated—

Mr. GRAHAM. Were there some indefinite?

Col. GOETZ. Well, he had a number of indefinite claims.

Mr. GRAHAM. Of what nature?

Col. GOETZ. Well, for instance, he made—in the shoe business he was accustomed to buying leather on scale weight, buying leather sold by the ounce at scale weight, and when he got into the manufacture of harness it is just the reverse; it is sold by gauge; consequently, when he manufactured his halters they were too light to meet the specification; the leather was too light; and he claimed compensation for that loss. And then he had a number of other claims; I do not just remember what they were, but they were eliminated.

Mr. GRAHAM. The board would not allow them?

Col. GOETZ. The board would not allow them.

Mr. GRAHAM. Did the Boston board allow them?

Col. GOETZ. No, sir; this settlement was made, and in which I concurred, by Maj. Byron, Maj. Blunt, Capt. Hartham, Capt. Goodpasture, Lieut. Curtis, and Mr. Platt.

Mr. GRAHAM. And how much was it?

Col. GOETZ. Well, as I stated before, the value involved was \$3,256,000, and after eliminating all the indefinite claims, a maximum allow-

ance of \$221,000 was agreed upon to cover all of his facilities, overhead carrying charges, and other losses incident to closing down his factory.

Mr. GRAHAM. In addition to that, Colonel—I do not want to interrupt you if you have more to say—did he get the special facilities?

Col. GOETZ. That included his special facilities, after a proper deduction was made for their value.

Mr. GRAHAM. In other words, he got \$221,000?

Col. GOETZ. \$221,000 to apply to all of his contracts.

Mr. GRAHAM. And all special facilities?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Do you know how much the aggregate amount was which he was paid on his contracts during the war?

Col. GOETZ. I do not.

Mr. GRAHAM. Can you estimate it?

Col. GOETZ. For facilities, you mean?

Mr. GRAHAM. No; for the \$30,000,000 worth of contracts; about what did it cost the Government?

Col. GOETZ. I would not like to make a positive statement, but I believe that he delivered about \$20,000,000 worth of supplies to the Government; that I am not sure about.

Mr. GRAHAM. That would be your estimate?

Col. GOETZ. Yes, sir. I am quoting that now from hearsay; I have never examined the records.

Mr. GRAHAM. Did you in your conversation with anybody in the Long factory call their attention to the quality of goods they were making and say anything about whether they were proper things to be used in the field or not?

Col. GOETZ. I was so worked up over the situation that I can tell you my language was unprintable.

Mr. GRAHAM. Perhaps it was justifiable.

Col. GOETZ. If you will stop writing, I will tell you what I said to him.

(By direction of the chairman, the official stenographer ceased writing, and Col. Goetz gave the language referred to to the committee off the record.)

Mr. GRAHAM. Have all these claims been allowed and paid and settled up, Colonel?

Col. GOETZ. Some of them have.

Mr. GRAHAM. Do you know how many of them are pending yet?

Col. GOETZ. There are several pending; one for haversacks, I think.

Mr. GRAHAM. What is the amount of that claim?

Col. GOETZ. In the neighborhood of \$200,000, I believe. I made some notes last night in connection with this settlement.

Mr. GRAHAM. For the haversack settlement?

Col. GOETZ. Oh, no; in connection with the general scheme of settlement. With your permission, I would just like to continue that.

Mr. GRAHAM. All right, proceed.

Col. GOETZ. This may not be correct, you know, to the cent. I took it from my diary and some other papers I have had. On that basis it figured about 6½ per cent on his cancellations, which did not include the materials taken over, and is on a much lower basis than the new England manufacturer tried to obtain on the unit basis.

They came to our office and demanded that we pay them a unit allowance on the various articles that they were manufacturing—so much for a pistol holster, so much for a rifle scabbard, so much for a saddle, so much for a pannier pack; and, in addition to that, take off their hands all the material they did not want.

After going into that carefully, we found that that would not be of advantage to the Government. Some manufacturer might be distressed on account of the condition of his work, and another manufacturer might get a profit to which he was not entitled. So we rejected that proposition. Figuring his pannier tax on the unit basis and the settlement of the set-up under Supply Circular No. 111, the Government had the advantage of about \$5,000.

Mr. GRAHAM. Colonel, what size factory did Mr. Long have there in Framingham?

Col. GOETZ. Mr. Long has an immense plant there. He has two new concrete buildings.

Mr. GRAHAM. Were they built by the Government?

Col. GOETZ. They were built by Mr. Long in anticipation of his war contracts, or at least one of them was built for that purpose, and probably both.

Mr. GRAHAM. Do you know whether the Government as special facilities built either one of those factories?

Col. GOETZ. No; I do not think the Government has had anything to do with the building. I believe that Mr. Long created these facilities for the sole purpose of handling these Army contracts.

Mr. GRAHAM. He had been doing some work for the Russian Government, had he not, prior to that?

Col. GOETZ. I believe he had; yes, sir.

Mr. GRAHAM. Was he doing any shell work in that factory?

Col. GOETZ. None that I know of.

Mr. GRAHAM. You think the work he had been doing was entirely leather and fabric work?

Col. GOETZ. Yes, sir.

Mr. GRAHAM. Are you positive about whether he had been doing war work for foreign countries prior to our entrance into the trouble?

Col. GOETZ. I would not be positive about that; but quoting from memory, I believe that he did have some foreign business.

Mr. GRAHAM. The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 1.15 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

TESTIMONY OF COL. GEORGE B. GOETZ—Resumed.

Mr. JEFFERIS. Colonel, you were connected with what company before you went into the War Department?

Col. GOETZ. I have been with my own company all my life.

Mr. JEFFERIS. And that was known as what?

Col. GOETZ. A. D. Goetz Co., of which I am vice president and secretary.

Mr. JEFFERIS. When did you go into the War Department?

Col. GOETZ. I was commissioned the latter part of July, 1917.

Mr. JEFFERIS. How many years' experience have you had in the leather business before you were commissioned in the Army?

Col. GOETZ. I grew up in it. My father before me was in the same business.

Mr. JEFFERIS. As I understand it, you were sent to Framingham?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. And when was that?

Col. GOETZ. My first inspection, I think, was in July, 1918.

Mr. JEFFERIS. Who sent you there?

Col. GOETZ. My chief.

Mr. JEFFERIS. And who was that?

Col. GOETZ. Mr. Byron.

Mr. JEFFERIS. Do you know why you were sent there?

Col. GOETZ. To inspect the quality of the supplies they were manufacturing.

Mr. JEFFERIS. Was that the first place you went?

Col. GOETZ. No, sir. We inspected some factories in New York prior to that.

Mr. JEFFERIS. Inspecting leather goods?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Had anything come to your attention about any of these goods that were being manufactured by these companies before you started on this tour of inspection?

Col. GOETZ. Yes, sir; I had heard indirectly through inspectors.

Mr. JEFFERIS. Was that to the effect that some of these goods were not up to the specifications?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know whether or not any considerable amount of such goods had been delivered to the War Department prior to your inspection, or do you have any information on that?

Col. GOETZ. I have not any information at hand.

I want to correct my former statement. I do not want to do Mr. Long any injustice or any other contractor. These were the first contracts, with the exception of some saddle bags that were awarded to Long by the War Department, and these facilities that he has that he is claiming this \$221,000 on as a maximum amount was created for taking care of his leather supplies that he made for the Army.

Mr. JEFFERIS. What was it, buildings?

Col. GOETZ. I do not know about the building.

Mr. JEFFERIS. Or was it machinery?

Col. GOETZ. Machinery—I do not know about the machinery, because the leather-working machinery could not be used for the manufacture of textiles.

Mr. JEFFERIS. In other words, as you understand it, he purchased \$221,000 worth of machinery to do this war work with?

Col. GOETZ. I presume he purchased a great deal more than that; a great deal higher value.

Mr. JEFFERIS. What is it that you have reference to representing \$221,000?

Col. GOETZ. That \$221,000 was a maximum amount that was decided upon between the board and Mr. Long to cover his facilities and losses incident to the cancellation of these contracts.

Mr. JEFFERIS. In other words, the Government paid him that much for damages?

Col. GOETZ. They paid him that much damages provided he proved up to it.

Mr. JEFFERIS. In addition, he kept whatever facilities he had purchased, which I assume the Government had paid for?

Col. GOETZ. I do not think the Government had paid for any of his facilities; I think he had bought them outright on his own account.

Mr. JEFFERIS. Are there any facilities in this \$221,000?

Col. GOETZ. A part of it; yes, sir.

Mr. JEFFERIS. What does it consist of?

Col. GOETZ. I believe I read that into the record a moment ago. A maximum amount of \$221,000 was agreed upon to cover his facilities, overhead carrying charges, and other losses incident to the closing down of his factory.

Mr. GRAHAM. You read that into the record, Colonel. About specific and detailed statement of what the facilities were?

Col. GOETZ. That I can not answer.

Mr. JEFFERIS. And this \$221,000 that you speak of you can not divide into the separate items as to overhead so much, etc.?

Col. GOETZ. I could if I had possession of the papers. This settlement was made—our board split up—while I was in New York, and when I arrived at Boston I went over it with the other members of the board, and I figured it on a percentage basis. I did not go into any specific contract, and I concurred in their settlement.

Mr. JEFFERIS. When did you make this settlement or concur in it?

Col. GOETZ. I believe it was in February or March of this year.

Mr. JEFFERIS. How many contracts were settled in this one settlement?

Col. GOETZ. Twenty-two, I believe.

Mr. JEFFERIS. Do you know what amount of profit he had been furnished to the Government on those contracts?

Col. GOETZ. I do not; I know the amount canceled.

Mr. JEFFERIS. The amount canceled is how much?

Col. GOETZ. \$3,256,000.

Mr. JEFFERIS. In other words, if the 22 contracts had been fully completed, it would have required \$3,000,000 more to have paid for the articles he was to make?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. You do not know what proportion of the 22 contracts were actually canceled and how much he had to fulfill?

Col. GOETZ. You mean deliveries?

Mr. JEFFERIS. Yes.

Col. GOETZ. I do not. I could get you all of that information.

Mr. JEFFERIS. I thought maybe you had it. As I understand it, when you were sent up there to inspect this property, you found considerable of it not up to the specifications of the contract?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. What report did you make on that?

Col. GOETZ. I reported that in the usual manner.

Mr. JEFFERIS. You made a written report?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Have you a copy of that?

Col. GOETZ. Not here; no sir.

Mr. JEFFERIS. Where would the copy of that be obtained?

Col. GOETZ. You can find it in the department.

Mr. JEFFERIS. Was it a long report?

Col. GOETZ. There are a series of reports on the Long factory.

Mr. JEFFERIS. What do you mean by a "series"?

Col. GOETZ. Why, made at different times.

Mr. JEFFERIS. You were up there more than once?

Col. GOETZ. Yes; a number of times.

Mr. JEFFERIS. And what was the result of your visits to the plant?

Col. GOETZ. I found on the second visit that conditions were very much changed. After the storm broke and Mr. Long understood what was required he went to work to correct the trouble.

Mr. JEFFERIS. When were you up there last?

Col. GOETZ. Sometime last June or July.

Mr. JEFFERIS. To whom did you make your report about this stuff that was rejected, your chief?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. And who was he at that time?

Col. GOETZ. Col. Lee was at the head of the harness and vehicle branch.

Mr. JEFFERIS. You spoke of it a little while ago. I probably did not catch the full significance of it. You said you were given a "coat of whitewash and promoted," or something. What was there about that, Colonel?

Col. GOETZ. Well, the report came to Washington. All I could draw out of Mr. Thorne, the assistant to Gen. Wood, was that I was not diplomatic in handling these transactions. And when I found that equipment I said it was "bad," so characterized it. And then I received a letter that I understand was written by Mr. Thorne and signed by Gen. Wood, telling me that my ability warranted me in having a better position, and he assigned me as an inspector of leather, assigned me to Maj. Byron as chief inspector of leather.

Mr. JEFFERIS. Who was Mr. Thorne that you talked to there first?

Col. GOETZ. Mr. Thorne?

Mr. JEFFERIS. Yes.

Col. GOETZ. Mr. Thorne is assistant to Gen. Wood, the Quartermaster General.

Mr. JEFFERIS. Gen. Wood was Quartermaster General?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. What was his position—that is, Gen. Wood here in Washington?

Col. GOETZ. Gen. Wood; I have forgotten his initials.

Mr. JEFFERIS. Not Leonard H. Wood?

Col. GOETZ. No, sir; R. E. Wood.

Mr. JEFFERIS. And Mr. Thorne was the assistant to him?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Well, who was Mr. Thorne; was he a Regular Army officer?

Col. GOETZ. Mr. Thorne is a civilian.

Mr. JEFFERIS. Do you know what his business had been?

Col. GOETZ. He is one of the active heads of the mail-order house of Montgomery Ward & Co.

Mr. JEFFERIS. Of Chicago?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know whether he had any other position here than as assistant to Gen. Wood?

Col. GOETZ. I do not know of any.

Mr. JEFFERIS. Had he any commission or anything of the kind in the Quartermaster General's Office?

Col. GOETZ. Commission?

Mr. JEFFERIS. Yes. How was he in there; what was he doing?

Col. GOETZ. He was the chief assistant to Gen. Wood.

Mr. JEFFERIS. In the Quartermaster General's Department?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Just what did he say to you when he told you you were not diplomatic?

Col. GOETZ. Well, I never talked very much to him about it?

Mr. JEFFERIS. Well, what did he say, as far as you remember?

Col. GOETZ. I remember he told me that no one would ever accuse me of being a diplomat, and in return I said I did not lay any claim to the diplomatic service; that I was only an ordinary harness maker.

Mr. JEFFERIS. Do you know whether or not Montgomery Ward & Co. were furnishing any harness to the War Department?

Col. GOETZ. Mr. Chairman, is it necessary for me to answer that question?

Mr. GRAHAM. Well, unless it would tend to violate some official duty I would think it would be proper to answer it. If it violates any of your duties as an officer of the United States Army or you would be disclosing any confidential information that you ought not to disclose except to superiors, I think you are justified in refusing to answer. But if it does not I believe you ought to answer. That is up to you, Colonel, as an officer of the Army.

Col. GOETZ. It is all over; and I expect we all did the little we could for the cause. I do not want to appear before this committee as vindictive.

Mr. GRAHAM. I think that you would be acquitted of being adjudged as being vindictive from the tone of your testimony. The committee, however, ought to have this information, and if you can give it to us without violation of your duties as an officer, I believe you had better do it. I do not think any trace or claim or any claim of malice can be made against you in this matter.

Col. GOETZ. They had quite a number of orders through their subsidiary company, the Wardway Harness Co.

Mr. JEFFERIS. Do you know where this Wardway Harness Co. is located, Colonel?

Col. GOETZ. In Chicago.

Mr. JEFFERIS. During what time was Mr. Thorne assistant in the Quartermaster General's Department, if you know?

Col. GOETZ. Mr. Thorne was assistant to Gen. Wood at the time the harness branch was moved to Washington, on or about March 25, 1918. I do not know how long prior.

Mr. JEFFERIS. Colonel, have you inspected any of the harness manufactured by this Wardway Harness Co. prior to Mr. Thorne's informing you that you were not to be charged with being a diplomat?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. What had been your report on that harness of Montgomery-Ward's subsidiary company?

Col. GOETZ. A great deal of it was poor quality.

Mr. JEFFERIS. Was it up to the specifications at all?

Col. GOETZ. No, sir.

Mr. JEFFERIS. Had you made a written report on that also?

Col. GOETZ. Yes, sir; a number of them.

Mr. JEFFERIS. Could you give us any idea as to the amount of harness contracts this Wardway Harness Co. had, Colonel?

Col. GOETZ. I have not any idea as to the value of their contracts. They had a large plant, and they were operating on a large scale.

Mr. JEFFERIS. What were they making, saddles and bridles?

Col. GOETZ. They were making saddles; they were making bridles; they were making parts of Artillery harness; they were making halters.

Mr. JEFFERIS. What position were you given then by Mr. Thorne after you had made these reports?

Col. GOETZ. Well, I was assigned to Maj. Byron as his assistant, and my duties were that of chief leather inspector, is the way the order reads.

Mr. JEFFERIS. What were your duties to be in that regard?

Col. GOETZ. Well, to inspect leather. But with the consent and cooperation of my chief, I refused to stay put.

Mr. JEFFERIS. What did you do?

Col. GOETZ. I kept on inspecting as heretofore.

Mr. JEFFERIS. That is, you kept on inspecting the products as they were being manufactured by these factories?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Did you notice any change in any subsequent visit, we will say, to the Long factory as to the kind of help he had there or not?

Col. GOETZ. Well, as the help became accustomed or broken into the work, why, of course, naturally the product would improve; and then I think that he changed his inspector and got some more supervisors or foremen, and his work was very much better.

Mr. JEFFERIS. How about the weight of the material?

Col. GOETZ. Well, it was cut better—cut up to the standard.

Mr. JEFFERIS. That is, so the Government later on came more nearly getting what it was intended to get?

Col. GOETZ. Yes, sir; the last inspection I made in Mr. Long's plant his product was very good.

Mr. JEFFERIS. When was your last inspection?

Col. GOETZ. Just before the armistice was signed, in the latter part of October, I think, although I am not certain.

Mr. JEFFERIS. Did you make any further inspection of this Wardway Co.'s production after that?

Col. GOETZ. I did.

Mr. JEFFERIS. Well, did their production improve or otherwise?

Col. GOETZ. It did not.

Mr. JEFFERIS. Did you ever have to reject any of their production?

Col. GOETZ. A lot of it.

Mr. JEFFERIS. During what period of time?

Col. GOETZ. Between July and the time the armistice was signed.

Mr. JEFFERIS. After you had been made an inspector of leather, did you have authority to reject the products of these concerns?

Col. GOETZ. I did not reject the products directly. That was done through the inspectors of the zone office. I would make a report on the factory; a copy of it would go to the zone officer and a copy to

Washington. Many of these reports were made jointly by my chief inspector, Capt. Benke, Mr. Platt, and myself.

Mr. JEFFERIS. Was some of the production of these two companies which you rejected what you call practically worthless stuff for the use the Government had intended it for?

Col. GOETZ. You could not call it worthless, but it was far below the specifications. In one of the factories the important straps on the saddles were cut from the part of the hide that in use it would be dangerous to the rider.

Mr. JEFFERIS. What factory was that?

Col. GOETZ. The factory of the Wardway concern.

Mr. JEFFERIS. In other words, it would not have sufficient strength?

Col. GOETZ. It was cut from the belly of the hide and from the shoulder.

Mr. JEFFERIS. Do you know whether the Montgomery-Ward people settled their claims with the Government or not?

Col. GOETZ. I do not know; but I think about the time the armistice was signed their contracts were well under way, if not nearly completed.

Mr. GARRETT. Did Long & Co. at any time receive any compensation for any of this rejected material or equipment that you know of?

Col. GOETZ. Not that I know of.

Mr. GARRETT. Either in the settlement of the claim or otherwise?

Col. GOETZ. Not that I know of, sir. I do not believe it was considered, or any rejected supplies that he may have had.

Mr. GARRETT. I take it there were Government inspectors at the factory?

Col. GOETZ. Yes, sir; in all the factories.

Mr. GARRETT. At the time of your first visit to the Long factory, were there Government inspectors there then?

Col. GOETZ. Yes, sir; at many of the factories the inspectors were inefficient. We were obliged to obtain our inspectors through civil service, and we got blind men and dope eaters, cripples, and men who were misfits.

Mr. GARRETT. You got them through the civil service?

Col. GOETZ. The civil service. They would only permit us to pay \$1,500, when in war times you of course realize what sort of a man you would get for \$1,500. Some of them reported at Jeffersonville with a bottle in each pocket.

Mr. GRAHAM. What was that?

Col. GOETZ. When I was at Jeffersonville some of them reported there with a bottle in each pocket.

Mr. GARRETT. Where was your first service?

Col. GOETZ. Jeffersonville, Ind.

Mr. GARRETT. When did you go there?

Col. GOETZ. The latter part of July, 1917.

Mr. GARRETT. What concern was there; whose plant were you assigned to there? Were you there at Jeffersonville at any particular time—that was headquarters?

Col. GOETZ. That was the depot quartermaster. I was assigned as assistant to Col. W. S. Wood, then depot quartermaster at Jeffersonville.

Mr. GARRETT. Well, that was not the same Wood who subsequently became Quartermaster General?

Col. GOETZ. No.

Mr. GARRETT. How long were you there?

Col. GOETZ. I was there until March 25, 1918, when we removed to Washington—the branch was moved to Washington.

Mr. GARRETT. How long were you in Washington?

Col. GOETZ. We were in Washington but a short period when we were moved to Chicago by way of Jeffersonville, April 25.

Mr. GARRETT. And how long were you in Chicago?

Col. GOETZ. July 20, the same year.

Mr. GARRETT. And then where did you go?

Col. GOETZ. I have been here ever since.

Mr. GARRETT. You came back to Washington and have been located here ever since?

Col. GOETZ. Yes, sir.

Mr. GARRETT. When did you say your first trip of inspection was made into New England factories?

Col. GOETZ. I believe it was some time in July.

Mr. GARRETT. Of 1918?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Do you recall what other factories you visited there beside the Long factory at Framingham?

Col. GOETZ. My first visit was to E. R. Ladew & Co., Glen Cove, Long Island; and at the same time we visited a number of small factories in New York which had small production.

Mr. GARRETT. Did you visit any other New England factories?

Col. GOETZ. Yes, sir; I visited the factory of Graton-Knight, at Worcester, Mass.; the Warren Leather Goods Co., Worcester, Mass.; Smith-Worthington Co., Hartford, Conn. Those were about the principal factories; and another concern, the Jewel Belting Co., at Worcester; they had very little production.

Mr. GARRETT. Did these central factories that you have visited, other than the Long factory, have contracts of considerable magnitude?

Col. GOETZ. The Ladew Co. and Graton & Knight had very large contracts.

Mr. GARRETT. How did they compare with the Long contracts, do you know?

Col. GOETZ. Well, by way of comparison, I think the Ladew concern's products were even worse than Long's.

Mr. GARRETT. You are speaking of the quality?

Col. GOETZ. Yes, sir.

Mr. GARRETT. What did the other concern that you say had large contracts—

Col. GOETZ (interposing). Well, the Graton & Knight made some bad equipment.

Mr. GARRETT. Had any of these concerns been engaged in the manufacture of such materials as they were then making prior to the war?

Col. GOETZ. Not that I know of, except Smith-Worthington & Co.

Mr. GARRETT. They had been harness and saddle makers, had they, and these other things?

Col. GOETZ. Yes, sir.

Mr. GARRETT. What had Long and Ladue and Graton & Knight been making?

Col. GOETZ. Graton & Knight are tanners and manufacturers of belting, power transmission. The Ladue Co. are manufacturers of belting. I am unable to tell you whether they are tanners or not. H. R. Long was a shoe manufacturer.

Mr. GARRETT. Exclusively; that is, he was prior to the war?

Col. GOETZ. I do not know of any other activities as a manufacturer.

Mr. GARRETT. You referred to your testimony earlier in the day to the character of labor at the Long factory—unskilled labor, as I understood you?

Col. GOETZ. Yes, sir.

Mr. GARRETT. But of all nationalities?

Col. GOETZ. Yes, sir.

Mr. GARRETT. People who had had no experience whatever in making harness?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Do you know why he had such labor as that?

Col. GOETZ. Because he could not get any other kind.

Mr. GARRETT. Was that true of these other factories?

Col. GOETZ. Yes, sir.

Mr. GARRETT. They had the same character and quality of labor?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Then, Colonel, do you attribute the failure to bring the material up to specifications in any degree to the labor?

Col. GOETZ. Absolutely, and inefficient supervision. These facilities were created almost over night, and by people principally who had had no previous knowledge, and when you take a man from the street and set him down to a complicated machine to operate it, you can, of course, imagine the sort of product he would turn out. When you have a man to cut leather to be distributed in the various straps that go into making a harness who knows nothing about the character of leather, you know what the result will be; and I believe that all these contractors had good intentions; that is, these New England contractors. But they fell down on the supervision, and it was a physical impossibility to get help that was skilled in that particular line, because the harness business at best is a dying industry.

Mr. GARRETT. Why is that, on account of the automobile?

Col. GOETZ. The automobile, the truck, and the tractor.

Mr. GARRETT. Well, Colonel, were the conditions such in the United States at that time as that expert supervisors could have been easily secured at these factories, or do you know?

Col. GOETZ. They were very difficult to obtain.

Mr. GARRETT. Were all of the regular harness concerns of any magnitude in the country also engaged to their full capacity pretty well?

Col. GOETZ. All of them; yes, sir.

Mr. GARRETT. All of the concerns making harness and saddles and all these various things that have been mentioned here were engaged everywhere, if I understand you?

Col. GOETZ. I would not say all of them, but a large percentage of them were engaged on war work.

Mr. GARRETT. And in addition to that the Government wisely or unwisely made arrangements with a lot of manufacturers elsewhere?

Col. GOETZ. I should say unwisely, for this reason, that with the

same encouragement the regular harness manufacturers could have increased their facilities, and they would have a greater amount of skilled help by so doing.

Mr. GARRETT. Well, considering an increase of facilities would have been necessary, it would have been better to place them——

Col. GOETZ (interposing). With the regular harness manufacturers.

Mr. GARRETT. Well, what about the facilities in this Long factory when you first visited it—the machinery, etc.; was it standard equipment?

Col. GOETZ. Well, he had the highest grade and type of machinery that was obtainable; it was all new.

Mr. GARRETT. No new machinery was put in after you visited there, I suppose?

Col. GOETZ. Well, not to any extent. He may have put in a machine or two after I made my first trip.

Mr. GARRETT. But had good machinery.

Col. GOETZ. The best equipment obtainable.

Mr. GARRETT. Colonel, was there any factory which you visited in the course of your official duties at which you did not find it necessary to make some adverse report?

Col. GOETZ. Any factory?

Mr. GARRETT. Yes.

Col. GOETZ. Oh, there were some; yes, a number of them.

Mr. GARRETT. Were they factories that had been engaged in that same business prior to this war?

Col. GOETZ. Yes, sir; there is hardly any factory, whether regularly or irregularly harness manufacturers, that would not had some rejections.

Mr. GARRETT. How about the product turned out at the Long factory subsequent to your visit there compared with the product of other factories generally?

Col. GOETZ. Well, after he had an understanding of our needs and was shown the way, his product compared favorably with other factories.

Mr. GARRETT. What was the situation with regard to that factory at Long Island, the Ladew?

Col. GOETZ. Ladew & Co.?

Mr. GARRETT. Yes, sir.

Col. GOETZ. Well, they did not make a great deal of progress; it was some better. The russet work was very much better, but the black work was poor on the last inspection trip I made to their factory.

Mr. GARRETT. And what was the situation at the Worcester factory?

Col. GOETZ. I only visited the Worcester factory once.

Mr. GARRETT. Only one time?

Col. GOETZ. One time on an inspection trip.

Mr. GARRETT. And you do not know what improvements they made in their product afterwards?

Col. GOETZ. I heard they had improved their product; they brought it up, and quite a lot of it was rejected.

Mr. GARRETT. Do you know what form of business, what character of material Long had been making for foreign countries—of any foreign country?

Col. GOETZ. I understand that he was making textile equipment for some foreign government.

Mr. GARRETT. You mean leather goods?

Col. GOETZ. I understood that he was making textile equipment for some foreign government.

Mr. GARRETT. Was this Wardway Co. a regular manufacturing plant?

Col. GOETZ. Yes, sir; Wardway.

Mr. GARRETT. Do you remember how long it was before you transferred or gave them the coat of whitewash, as you expressed it, after you had visited the factory or made a report on it?

Col. GOETZ. That was about the last of August. I visited the factory before and after that. I can't give you the dates.

Mr. GARRETT. Now, just a question or two about the claims. I don't believe that I understand yet just exactly what this \$221,000—I understand tentatively agreed upon as a maximum amount—represents.

Col. GOETZ. The \$221,000 was agreed upon to cover facilities—his overhead, his carrying charges, and other losses incident to closing down his factory.

Mr. GARRETT. There was a contract uncompleted for which, had it been completed, he would have received \$3,256,000?

Col. GOETZ. Yes, sir.

Mr. GARRETT. This \$221,000 represents everything that it has been agreed to pay him on that contract, does it?

Col. GOETZ. On the various contracts.

Mr. GARRETT. On the contracts represented, and the \$221,000 was pro rated to every one of the various contracts; every one carried its proportion?

Col. GOETZ. Yes, sir.

Mr. GARRETT. You used the word facilities, included in that. Just what character of facilities were they?

Col. GOETZ. Well, facilities would include his machinery, his buildings, if he has any—

Mr. GARRETT. Well, now, do you mean that was paying for the use of his own facilities?

Col. GOETZ. Yes, sir.

Mr. GARRETT. As I understand you, the Government did not build anything and he built his own buildings and machinery and he charged for everything?

Col. GOETZ. Yes, sir; he charged for everything that he built.

Mr. GARRETT. Built these plants?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Put in all the machinery?

Col. GOETZ. Yes, sir. Then in making this settlement with Mr. Long it was impossible to apply any particular machine to a specific contract. They had to be taken as a whole. Mr. Long's contracts, as I understand, was treated in whole; amounted to about \$30,000,000, and his facilities were applied to the original amount of his contract after deducting for his use and salvage; a value of \$221,000

was agreed to apply to these 22 contracts. Do I make myself plain?

Mr. GARRETT. I think so. And that cleaned the slate?

Col. GOETZ. Yes, sir.

Mr. GARRETT. That represented about what percentage of this total?

Col. GOETZ. Six and three-quarters per cent.

Mr. GARRETT. Of \$3,256,000?

Col. GOETZ. I may have made a mistake in figuring that, but it is pretty close to that amount. I would not guarantee on all of my figures, because I am not a very good calculator. Now, the cancellation of leather contracts is difficult, because they have different work in every process and stage of manufacture.

Mr. GARRETT. Do you happen to know the state, even in a general way, the state of the material in this Long factory?

Col. GOETZ. Well, some of the material, about 50 per cent of the leather, was retained by Long and about the same amount turned back to the Government. Now, in going over a tabulation of 51 of those contracts with our department, if I remember correctly, the total amount was nearly \$6,000,000, and the cancellation of that \$6,000,000 on a percentage basis was less than 9 per cent.

Mr. GARRETT. Did you ever talk with Mr. Long personally?

Col. GOETZ. I know Mr. Long very well; yes, sir. And I am pained and sorry to be obliged to make this criticism of his product. I felt very bitter toward Mr. Long at first, but he came across and delivered the goods.

Mr. GARRETT. That leads me to ask the question: From your observations of Mr. Long, your conversations with him, your knowledge of the business there at his factory, do you think Mr. Long was willfully seeking advantage of the Government?

Col. GOETZ. I do not think he was. I do not know anything about his profits and I only know what came under my personal observation. I know that he was willing to bring up the character of his product to comply with the specifications, but it required quite a jolt to get him into that state of mind. He thought he was doing right. He did not know any better. I have no doubt that his foreman thought he had been doing all right.

Mr. GARRETT. His foreman had no experience in that kind of work?

Col. GOETZ. Yes, sir.

Mr. GARRETT. He was his foreman in his shoe factory, and was undertaking to perform the same functions?

Col. GOETZ. Yes, sir. I don't think the fault was with Mr. Long—it was with the organization that created the organization for these facilities that was not needed.

Mr. GARRETT. I believe you have stated that it was your understanding that all those concerns up there, following your visit and your criticism of their products, were somewhat up in arms against it?

Col. GOETZ. Very much so.

Mr. GARRETT. And was that true of some in other sections of the country as well, or do you not know about that?

Col. GOETZ. I have not heard of any. Of course, we have had differences of opinion with contractors. Some of them even

ing to fight. We fought with them, but I think our record will bear investigation with the contractors at large. I just want to say one word, that is this, that the termination of contracts is not a bed of roses. You will examine a paper and it will appear on its face that you are giving the Government's property away. Now here is an example. I will let you look at this [handing finished and rough cast surgical instruments to Chairman Graham, subchairman].

Mr. GRAHAM. It is some sort of a surgical instrument.

Col. GOETZ. I do not know what this is a set of—whether it is a tooth puller, curling iron, or what it is. There is what we found at the factory, thousands of dollars worth.

Mr. GARRETT. You hand me here an instrument, evidently some sort of a surgical instrument, which in its finished state appears to be—

Col. GOETZ (interposing). It is a finished article just as they turn it over to the department.

Mr. GARRETT. Is it nickel-plated steel?

Col. GOETZ. Yes, sir.

Mr. GARRETT. That is an instrument, for the making of which the Government had a contract, I presume?

Col. GOETZ. Yes, sir.

Mr. GARRETT. And then you also exhibit to the committee certain others in blanks—

Col. GOETZ. Those are the blanks that come from the drop-forge presses.

Mr. GARRETT. These are the blanks?

Col. GOETZ. Yes, sir.

Mr. GARRETT. Are they in the first stages?

Col. GOETZ. Those are just as they come from the drop-forge presses. The one in your right hand is trimmed and the other is not.

Mr. GARRETT. How many processes will they have to go through before they are finished?

Col. GOETZ. They have to be trimmed and they have to be polished and trued up and after that nickel-plated and examined and assembled.

Mr. GARRETT. And as I understood you to say, you found thousands of these crude parts on hand?

Col. GOETZ. But the point I want to make before this committee is this: Suppose the credited amount totals many thousands of dollars and you see this—parts on hand in process \$25,000, or \$30,000, or \$50,000, salvage value \$150,000. How would that look to you?

Mr. GRAHAM. Well, that would depend on the material and what it was good for. I realize particularly what you are driving at.

Col. GOETZ. Well, that is one of many items that came before this board to pass upon. If you could find someone to use those instruments—by a medical department or by some commercial concern, those blanks would be valuable and could be turned to account; but in the event that you would find no market for them, \$9 the 10 for them.

Mr. GRAHAM. Mr. Long did not make these, did he?

Col. GOETZ. No, sir.

Mr. GRAHAM. This is just then a general description of the hardships in trying to make a settlement?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. How soon after July, 1918, was it before you went to Long's factory?

Col. GOETZ. I was up there in August and again in September or perhaps the 1st of October. I made three or four trips to Long's plant.

Mr. JEFFERIS. How long had Long been practically manufacturing harness for the United States Government prior to your visit there in July, 1918?

Col. GOETZ. According to my recollection, I would say that I am unable to tell you. I understood from officers from that zone that he had just begun the manufacture of black work. He had done some russet work previously.

Mr. JEFFERIS. Did he make any saddles?

Col. GOETZ. No; he had no saddles.

Mr. JEFFERIS. Where were most of the saddles made, Colonel?

Col. GOETZ. The saddles were pretty well distributed. They were made in Hartford, Conn.; Glencove, Long Island; and Cincinnati, Ohio; Chicago; St. Paul and Minneapolis; and in many of the Missouri River towns. In Louisville, Ky., and in Texas.

Mr. JEFFERIS. If they had completed, or any ways near completed all of the contracts for the manufacture of leather goods, you would have taken all the leather in the United States and possibly three or four hundred thousand hides besides?

Col. GOETZ. That was a statement I made on several occasions. I don't think I made it strong enough.

Mr. JEFFERIS. You don't think you made it strong enough?

Col. GOETZ. Yes. It would have taken the entire take of hides in the United States and several hundred thousand more.

Mr. JEFFERIS. And the people, I presume, would have had to come to wear wooden shoes?

Col. GOETZ. They came pretty near it as it was.

Col. Goetz withdrew.

Mr. GRAHAM. The committee will now hear D. J. Bennett's testimony on the results of his investigation for the committee.

Mr. Bennett, you have been working as an investigator for this committee?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. In your work, have you had occasion to observe the contracts that were made with R. H. Long & Co.?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. What investigation have you made in these contracts in a general way?

Mr. BENNETT. In a general way I have examined all the contracts that I have been able to find in the War Claims Board, both the formal and the informal contracts, and made a summary, got them all tabulated on a sheet for reference, taking them as a whole and individually.

Mr. GRAHAM. Have you gone through claims that were filed?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Where are those claims at the present time?

Mr. BENNETT. Why, the original papers are in this office. I could get. There were three or four I could not get that morning.

Mr. GRAHAM. Are there any papers in the possession of the district ordnance board?

Mr. BENNETT. I can not say, Mr. Graham. I had a talk with the ordnance claims board to-day, and some papers that I had asked for are on the way up here, I expect.

Mr. GRAHAM. You have examined all the claims filed?

Mr. BENNETT. All except the Ordnance claims; I have not examined those. Those are some claims for helmet linings.

Mr. GRAHAM. Have you gone into the Ordnance contracts?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. How many Ordnance contracts were there? That Mr. Long had?

Mr. BENNETT. I have examined, I think, 62 settlements, and they are practically all Ordnance. I have not segregated them on this statement. There are seven or eight that under the classification would not go under Ordnance contracts, but I put them all on this tabulated sheet. They have all been settled.

Mr. GRAHAM. They have all been settled?

Mr. BENNETT. I have not seen the contracts of claims that are still in settlement.

Mr. GRAHAM. So that you can only discuss intelligently the claims that have been filed and settled?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. And you say there are about 62?

Mr. BENNETT. Sixty-two I think I have examined.

Mr. GRAHAM. What are those various contracts for that were the basis of those settlements? That is, the articles that they make, that he was making?

Mr. BENNETT. Do you want every one? Halters and headstalls, ration bags, feed bags, aparejo reins, cartridge bands, canteen covers, meat-pan pouches, shovel carriers, leggins, bandoliers, pack saddles, and traces for harness, and harness and harness parts, and I practically cover all of them in the different subjects.

Mr. GRAHAM. Now, how many altogether? I assume that the contracts that you are now referring to are contracts that were not completed at the signing of the armistice?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. You have made an examination of the uncompleted contracts or the completed contracts as I understand you?

Mr. BENNETT. Not to examine them in any critical way. I have copies of them and know what they are, but I have not made an examination of them in any way to criticize them.

Mr. GRAHAM. Col. Goetz said that he understood that the total was about \$30,000,000. What do you understand that the total obligations were?

Mr. BENNETT. The contracts that I have gone into, contracts that I suppose were completed, given Mr. Long, aggregate \$30,000,000. Mr. Long, in his statement, says that his contracts aggregate \$35,000,000.

Mr. GRAHAM. What statement is that?

Mr. BENNETT. His statement in getting allowance for special facilities, overhead charges, and that kind of thing.

Mr. GRAHAM. Now, were all these sixty-some contracts settled in one settlement?

Mr. BENNETT. I have never seen any evidence of that in the claims. They have all been settled individually.

Mr. GRAHAM. Do you find individual settlements here?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Have you totalled them up to see what they were?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. The final allowance that you speak of, Col. Goetz mentions \$221,000 that has been paid to him. What do the papers disclose after your examination?

Mr. BENNETT. The papers that I have of Col. Goetz are those that refer simply to the last contracts. This list that I have takes up the buildings and the surgical appliances together.

Mr. GRAHAM (to Col. Goetz). What was that settlement, Colonel?

Col. GOETZ. I have two statements and this one here is for leather, and the other is 51 contracts.

Mr. GRAHAM. In other words, does this \$221,000 refer to leather goods?

Col. GOETZ. It refers to leather goods. There were 51 other contracts in our department that are not included in this leather settlement.

Mr. GRAHAM. They may be included in the 51 contracts, but I saw a tabulation of 51 contracts, including a total cancellation of \$5,000,000?

Col. GOETZ. I believe I gave that figure as \$6,000,000.

Mr. GRAHAM. Yes.

Col. GOETZ. At a cost of 8.91 per cent.

Mr. GRAHAM. That though refers to the leather?

Col. GOETZ. I presume it not only refers to the leather but other supplies. We terminated 222 leather contracts with Long & Co. and this cancellation terminated 51 contracts.

Mr. GRAHAM. How do you account for that?

Mr. BENNETT. There were formal contracts and informal contracts, and I have the formal contracts and the informal both, and I think he probably has informal contracts only. I think there are about 9 informal contracts that did not go through the process at all. I have copies of them all. I have 62 contracts that were settled by the war claims board, and this is simply a tabulation of the settlements of those departments or boards.

Mr. GRAHAM. There were 62 of them?

Mr. BENNETT. Yes.

Col. GOETZ (interposing). There were 22 leather contracts as I read into the record, amounting to \$3,256,000. I examined the tabulation of the 51 contracts, which includes textiles and leather, of \$5,500,000, to get the percentage of cost, and I found that it would be nearly 9 per cent.

Mr. GRAHAM. There is no difference of opinion between you then as far as I can see. Now, Mr. Bennett, you tell us about these settlements that have been made. Take the textile contracts aside from the ones that Col. Goetz has spoken about. Have any special facilities been allowed for in any of those contracts, as far as you can ascertain in those settlements?

Mr. BENNETT. Perhaps it might make it clear if I should outline the way this tabulation was made.

Mr. GRAHAM. Proceed in your own way.

Mr. BENNETT. I have taken the contract number, the date it begins and the date it should be completed according to the contract, then the article and the amount of the article, the amount of the article and the amount that was delivered, the amount paid, cancelling the amount or the amounts paid by the United States Government for cancelling the uncompleted contracts. This in connection with the plant, expenses, storage, special facilities, value allowed contractor for the special facilities and the subcontractors.

Mr. GRAHAM. Now, you have a complete tabulation of all the premiums of that kind; has it been verified and is it correct?

Mr. BENNETT. They have been verified by me by my personally checking them. They have not been held by anyone, but I personally went over them very carefully, and I intended to make a new sheet of the whole thing and was sidetracked on account of the activities of the war claims board in getting Mr. Long's case concluded, so that I did not get a chance to make a new sheet and I found only one mistake in going through my tabulation.

Mr. GRAHAM. If that statement is correct, you might let it go into the record—that is, the total amounts for the headed columns—so that we can tell what the results are. Give a head.

Mr. BENNETT. The amount of the contracts on which Mr. Long has filed claims for damages and settlements amount to \$10,407,090.40. He delivered on those contracts \$4,521,089.94. The value of canceled contracts is \$5,886,048.51. The amount paid Mr. Long for canceling these uncompleted contracts is \$1,367,859.35. The property turned over to the Government is approximately \$780,000. Property retained by Mr. Long is \$351,404.77. The amount Mr. Long paid or allowed for that is \$95,991.04. He charged for maintenance of factory \$73,448.82. He charged as expense for storage \$22,265.93. He charged for special facilities approximately \$150,000, and value he claimed to allow for the special facilities was \$44,080.43.

Mr. GRAHAM. Did you examine those claims to ascertain what special facilities he had purchased? What do you mean by special facilities—buildings and machinery, tools, etc., for making the stuff?

Mr. BENNETT. I did not. I examined them for that purpose, and I found that not included. There are only two claims in which Mr. Long has given the items of machinery at all.

Mr. GRAHAM. Which claims are those?

Mr. BENNETT. Contract T8340, for 300,000 pack carriers, and contract T80510496232, for 300,000 haversacks.

Mr. GRAHAM. Now, when were those contracts made?

Mr. BENNETT. The first one was made on May 21, 1918, scheduled to be completed in October, 1918. The second one was made May 17, 1918, scheduled to be completed in October, 1918. On these two claims Mr. Long has charged up special facilities to the amount of about \$104,000.

Mr. GRAHAM. What kind of special facilities?

Mr. BENNETT. He calls them looms and those are the only ones which he has charged up, and I want to say in connection with that that he had a contract much larger than these in the earlier part of the war game, and completed it and got his money, and those tools would be absorbed, in any businessman's mind, in that contract, and he had no right to charge for them at all a second time.

Mr. GRAHAM. That is, you understand that because he had made these things earlier, before that, that the cost of these special facilities was amortized in the contract price of his stuff?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Well, do you know that he had looms at the time or whether he bought them at the time he made these contracts?

Mr. BENNETT. I do not know a thing about that or that he added any accessories to his tools at all. I think he had to with the big contract for this same identical contract, and in any business the special facilities would have been figured into his other contract.

Mr. GRAHAM. Did he charge any other special facilities?

Mr. BENNETT. No other facilities, but in the Ordnance Board he charged for special facilities. This seems to be one of those happy arrangements apparently to help Mr. Long out to bunch up his facilities and charge it back to the Government in a cancellation of his contract. To explain that I want to say this, that the Government paid Mr. Long over \$22,000,000 for completed contracts, and that the special facilities that he used on that material should have been absorbed in those items that he made and these contracts that he had in this case, all of them simply duplicated goods and contracts.

Mr. GRAHAM. For stuff that he had theretofore made previously and completed?

Mr. BENNETT. For stuff that he had made previously, and I want to say that these contracts are practically all scheduled to be completed on or before the 30th day of November.

Mr. GRAHAM. Do you know whether they were completed?

Mr. BENNETT. Yes, sir. They were not, and he was allowed to deliver up until March, 1919, on the leather goods.

Mr. GRAHAM. Was that true on any of these contracts that were being settled?

Mr. BENNETT. Yes, sir; and I want to mention in connection with that in a business sense that these contracts, a great many of them that were due to be completed in May and June, 1918, and some were urgent, some of them were designated as special and urgent, Mr. Long did not touch at all; never bought any material on some of them, and he turns them over and he takes them and gets a special premium for taking all the ordnance. He took what they call a special allowance or premium for having taken a contract and held it for six or eight months and doing nothing on it and then asked the Government to give him something for having \$10,000,000 of contracts and not having done them.

Mr. GRAHAM. Do you know anything about that?

Mr. BENNETT. The records and the papers show that. Nothing was done in a great many of them.

Mr. GRAHAM. How many of them?

Mr. BENNETT. I can tell by going through paper after paper. I judge that the aggregate of contracts on which nothing was done runs between three and four millions of dollars.

Mr. GRAHAM. This is for what kind of stuff?

Mr. BENNETT. I can give you a list of them if you want them. The first is mail bags. It was for only \$314, but it was given on August 28, 1918, and it was to be completed in July, I think. The next one is for ration bags given on April 15, 1918, marked in the contract "Urgent need," was to be completed 25 per cent in Sep-

tember; same in October, November, and December. There was nothing done on the contract at all. The whole thing was canceled and Mr. Long got \$10,091.67 for canceling. The Government got \$325 of odds and ends which Mr. Long did not use in his future work. Mr. Long got \$16,700 worth of raw material, and he allowed the Government for it \$133.33.

Mr. JEFFERIS. How much did it cost?

Mr. BENNETT. I do not know what it cost. I know he charged it up to the Government at \$16,700.

Mr. GRAHAM. Now, the next contract where he had not done anything?

Mr. BENNETT. The next contract that he had done nothing on was belts for rifles—15,000 of them. This contract was dated May 10, 1918, 50 per cent of them to be completed in July and the balance of them in August. He had done nothing on those. He received for cancellation \$6,572.84. The Government got \$3,957.43 worth of material. Mr. Long took \$1,870.81 and paid \$935.40 for it. The next contract is for rifle belts. This is dated June 20, 1918, to start August 1 and complete in January. The amount of the contract was \$507,758.80. It was canceled. He received for canceling it \$36,935.18. The Government took some property at \$17,459.50. That is all there was to that transaction. The next item was some more cartridge belts that was dated the 4th of April, 1918—25 per cent in September, 25 per cent in October, November, and December. That was also canceled. And for that cancellation he got \$5,757.83. The Government took \$1,810.

Mr. JEFFERIS. What was that for?

Mr. BENNETT. For material turned back to the Government that Mr. Long didn't want. It happens that the next one is for cartridge belts, April 4, 1918, the same delivery as the one above, 25 per cent September, October, November, December. Nothing done on that. He gets for canceling that \$2,677.45. The Government gets \$837.

Mr. JEFFERIS. You mean Mr. Bennett that nothing was delivered on it?

Mr. BENNETT. Nothing done on it. No work done excepting that there was some material. The contract is canceled for the entire amount, and it may be that some parts are thrown in against it.

Mr. GRAHAM. There may be some that were cut up. Can you tell. Did you observe whether any of those parts were cut?

Mr. BENNETT. Yes, sir; there is part of it worked up and some of it, almost all material, but I can't tell from these claims here. You will have to examine each individual claim to get that.

Mr. GRAHAM. But in some cases it is partly worked up?

Mr. BENNETT. Yes, sir, in some cases it is partly worked up. The next item is on Artillery bridles. Contract was dated May 3, 1918, was to begin June 1, 700 per month, and complete November 1. The amount of the contract \$16,058.10. Mr. Long canceled that, I remember, and they marked that "Standard Allowance" \$889.80. I can verify that when I get to the individual claims. The next contract is on June 21, 1918, begins September and completed in February, 1919, on the 1st of February, \$18,959.36 for the amount of the contract. Mr. Long takes \$183.39. That is all written on that one. The next one is for pack saddles, 10,000 of them. This contract was

dated May 11, 1918. Nothing was done. The amount of the contract was \$455,000, amount canceled for the same. Mr. Long received for that cancellation \$167,281.56. The Government takes over material that he turns over, amounting to \$91,749.96. Mr. Long retains \$92,780.53 and he pays for it \$43,822.80.

Mr. JEFFERIS. That is, he retains that \$92,000 worth of material?

Mr. BENNETT. Yes, sir; and he allows \$48,822.80 for it. In this particular case of a contract that should be completed on November 30, 1918, Mr. Long has charged for maintaining his factory until he could get a settlement, \$10,500. He has charged \$4,323.87 for expense of storage. He has charged on special facilities, \$14,281.75.

Mr. JEFFERIS. What kind of facilities?

Mr. BENNETT. That is the bunch of stuff that he has charged against everything. That is the stuff that he used and for which he charged a previous time for—he allowed for those special facilities, \$2,906.75.

Mr. GRAHAM. Now, without going into details, hastily run over those contracts and give us what you have here?

Mr. BENNETT. Traces for Artillery horses, harness, \$130,155.99; cruppers, that is part of an aparejo, \$261,256.80; brass collars, \$184,744; Artillery bridles, \$312,500; tool kits, \$18,683; tool kits, \$24,652.57; covers for breech-lock mechanism arrangement, \$47,826.90; surgical appliances, under date of November 9, 1918, that was for \$85,530.

Mr. GRAHAM. Surgical appliances two days before the armistice?

Mr. BENNETT. Yes, sir. It appears that Mr. Long got \$16,233.44—

Mr. GRAHAM. For damages?

Mr. BENNETT. Yes, sir. He claimed to have hustled and gotten—between the 9th of November and the time that he was notified to stop work, \$32,396.98 worth of material together.

Mr. GRAHAM. Do you know what those were?

Mr. BENNETT. It was largely duck and slings.

Mr. GRAHAM. Do you know when that contract was canceled?

Mr. BENNETT. It was supposed to be canceled about the 16th of November; yes, sir.

Mr. GRAHAM. He claims he got all material together in his factory?

Mr. BENNETT. Yes, sir; that is the statement he made.

Mr. GRAHAM. And the Government allowed what?

Mr. BENNETT. \$16,323.44, and he takes this material off the Government's hands, \$32,696.98.

Mr. GRAHAM. And what did he allow for it?

Mr. BENNETT. \$16,323.44.

Mr. GRAHAM. About half of it—

Mr. BENNETT. And had it after three or four days; not much longer than that. I understand in connection with that, if you will permit me to state, that an order went around stopping the purchase of everything except subsistence, from which I have not been quite able to understand why a contract was signed on the 9th of November and sent out.

Mr. GRAHAM. When was such an order sent out?

Mr. BENNETT. Two days before the armistice was supposed to have been signed.

Mr. GRAHAM. It was the 7th?

Mr. BENNETT. The rumor went out throughout the country, as I remember it, on the 7th.

Mr. GARRETT. It was.

Mr. BENNETT. And it was really signed on the 11th.

Mr. GRAHAM. Well, do you have anything authentic about that order?

Mr. BENNETT. I have it, but I am not sure where; I think I have a copy of that order.

Mr. GRAHAM. Were any other orders given to Mr. Long immediately prior to the signing of the armistice that you know of?

Mr. BENNETT. I know of none immediately preceding the armistice.

Mr. GRAHAM. There was another contract given to Mr. Long on July 6, 1918. What was that?

Mr. BENNETT. That was for \$17,500, and that was canceled in July. If you will take up the special items on that \$85,000 surgical appliances, I would like to mention that the delivery of that contract did not begin until December. There was no rush in getting the material.

Mr. GRAHAM. The delivery began in December. Now, let me ask you something. This leather that was taken over by Mr. Long, have you examined the claims so that you can testify what shape this leather was in?

Mr. BENNETT. The most of it was in the hides and butts and bends. Sometimes it was a regular hide of leather as it came from the tannery.

Mr. GRAHAM. Did he take over the cut material?

Mr. BENNETT. Where he could use it to advantage and where not the Government took it over at big prices. I can verify that if you give me the opportunity to do so. I have all the settlements here in the office.

Mr. GRAHAM. At what per cent was this leather in the hides, or butts, as you call them, sold to Mr. Long on these settlements?

Mr. BENNETT. Well, a great deal of it was sold at 50 per cent.

Mr. GRAHAM. Do you know whether there was any standing rule of the department in making these settlements?

Mr. BENNETT. I think there was, but I don't think that Mr. Long's settlements adhered to the standard rule.

Mr. GRAHAM. Why, not?

Mr. BENNETT. I think he was given more than the standard rule. As I can read the contract he is charged with more leather than is required to complete the contracts.

Mr. GRAHAM. Can you produce the papers to show that?

Mr. BENNETT. I think I can.

Mr. GRAHAM. Then do so.

Mr. BENNETT. If I may be permitted, Mr. Graham, I would like to explain one remark I made regarding special facilities. In several of the contracts that Mr. Long had in the early date when he was supposed to take on the Government work, his charges were very much higher than at the latter part of the war. For instance, helmet linings were charged up at 80 cents, and any machinery would probably be absorbed in that contract. Then later, then he had additional helmet linings to make and he made them at a less price, presumably, than he had originally, as he had paid for his machinery. I think

that holds true with all of his work—that the early contracts were at higher prices.

Mr. GRAHAM. Now, as I understand, when this leather was allotted, when a man took a contract with the Government, he was allotted a certain amount of leather to do it with?

Mr. BENNETT. In some cases the Government furnished all the leather. In that case it was allotted. In other cases when the contractor furnished it, the Government paid no attention to it. In a great many cases it was where the Government was to furnish all the materials.

Mr. GRAHAM. Tell us about some of those.

Mr. BENNETT. This is a contract designated as P5943-40532, dated April 15, 1918, for 20,000 ration bags complete.

Mr. GRAHAM. For what?

Mr. BENNETT. Twenty thousand ration bags complete; amount of contract is \$97,000. I just want to see if this is that urgent one. This is that very urgent contract that they wanted for overseas shipment. There was not anything done on it, but this contract was to be completed in December. He was to start deliveries in September. That is a matter of record, of course. He takes the sum of \$4,200 as a premium for having taken that contract and held it until the Government canceled it, and then he charges the Government for 33,004 square feet, at 50 cents per square foot, \$16,700; and he allows a salvage value on it of \$11,133.33. He gives the Government some washers and things that he had, and he also includes eyelets, to the value of \$325, the blue prints, and the instructions.

All that I can find in regard to latigo leather on the ration bag calls for 10 little pieces or thongs. There are four of them three-eighths of an inch wide by 51 inches; there are four that are three-sixteenths of an inch wide by $8\frac{1}{4}$ inches. Two that are three-eighths by thirty and one-fourth inches. The actual square inches in these thongs amounts to $94\frac{1}{4}$ square inches. That is all the thongs it takes. Multiplying by 20,000 of those units and we have 1,885,000 square inches of actual leather that it would take. I don't want to discount Mr. Long at all. I suppose in cutting latigo leather into thongs there would be 15 to 20 per cent wastage in the hide, although we do cut them in small circles and with very little waste. That number of square inches reduced to feet nets 13,930 square feet of latigo leather used in the manufacture.

Mr. GRAHAM. And he was allowed 13,930 square feet. How much did he charge?

Mr. BENNETT. He charged the Government back with 34,400 square feet.

Mr. GRAHAM. Practically 20,000 square feet in excess.

Mr. BENNETT. Twenty thousand square feet more than was actually necessary for cutting them, and he buys it back in settlement at a discount, and the Government pays him \$5,556 for making a good bargain.

Mr. GRAHAM. What was the per cent that he bought it back for?

Mr. BENNETT. I judge about 33 per cent discount. I have not worked that out.

Mr. GRAHAM. Can you tell us of any other case where the same thing happened?

Mr. BENNETT. Yes, sir; there are so many of these things that I can't get them all.

Mr. GRAHAM. Well, as I understand it now. Let me get this. The advantage to him after that thing happened, if he got more leather than he needed, the advantage would be that he would get the leather and for what it would cost—this excess leather.

Mr. BENNETT. No. The advantage to him is that he simply piles up the leather and says there are 34,400 feet, and he charges it up at \$16,000. There is nothing that changes hands, but he makes a bid for this leather and he gets it, and the Government gives him the difference between his figure and the \$16,000. If they had charged \$13,000 and taken the discount off, it would be two-thirds as much, and instead of paying him \$6,000 it would have paid him about \$2,000 as a fair settlement in accordance with the rules for the adjustment of settlements of that kind.

Mr. GRAHAM. But it occurs to me that if he got 20,000 feet more than he needed and charged it to the Government at full price and then bought it back at half price, he would certainly make a good profit on the leather.

Mr. BENNETT. I may be wrong on that.

Mr. GRAHAM. Well, he charged the Government at the full price?

Mr. BENNETT. And takes it back at 50 per cent off or 33½ per cent off, and the more he charges off the better he is off.

Mr. GRAHAM. Go ahead with the others. Do you know, Mr. Bennett, how much allowance was made in the cutting of this leather?

Mr. BENNETT. I think from 25 to 33 per cent wastage. It would depend upon the articles you were cutting. It would not amount to much on latigo thongs. It is a little piece of rawhide that they use to lace things together, and they throw it in their pocket for an emergency or something of that kind.

Contract P6773-4373E2 was dated May 27, 1918, was to be completed in July for the magazine carriers of a French machine gun. On this contract he has made certain deliveries. There is 58,202 of those cans; he gets cancellation for \$19,453.46. This is another one of those urgent cases which for not completing Mr. Long received \$4,277.85.

Mr. GRAHAM. Tell us about the leather.

Mr. BENNETT. In this leather he charges back 33,534 square feet side leather in one item, and another item of 99,101 square feet, and another item of 300 feet. I may have that footed up. Totaling 132,935 square feet of leather.

The latigo strings, according to blue prints for that particular gun, 6½ inches by 7 inches long, another 6½ inches by 13 inches long, which, taken together in square inches, is 1119½ square inches to the gun. I figured that as 110 square inches. That reduced to square feet would take 44,458 square feet to complete the contract.

Mr. GRAHAM. That does not allow anything for wastage?

Mr. BENNETT. That does not allow anything for wastage, but the wastage is very small.

Mr. GRAHAM. Allowing 50 per cent for wastage, how much would it take?

Mr. BENNETT. It would take 88,900 square feet.

Mr. GRAHAM. And how much did he charge?

Mr. BENNETT. He charged back 132,935 square feet and took it at 50 per cent discount.

Mr. GRAHAM. Then, he got fifty or sixty thousand square feet of leather at 50 per cent discount, you say?

Mr. BENNETT. Yes.

Mr. GRAHAM. Now, Mr. Bennett, try to pay attention to me and answer what I am asking. Did you allow 50 per cent of wastage of leather? How much leather was there charged to the Government in excess of what was actually needed for that job?

Mr. BENNETT. Just 34,000 square feet, if you allow 100 per cent wastage.

Mr. GRAHAM. Thirty-four thousand square feet?

Mr. BENNETT. Thirty-four thousand square feet; yes, sir.

Mr. GRAHAM. Do you have any other instances of the same sort of thing?

Mr. BENNETT. I have none here that I would like to mention in regard to the price of cut material. Shall I give the number of the contract? Ex 64, dated October 5, 1917.

Mr. GRAHAM. What is that for?

Mr. BENNETT. That is for feed bags. Schedule to be completed November 30, 1919. In making up his claim on this Mr. Long has charged 14,900 latigo thongs $\frac{1}{2}$ inch by 30 inches at 15 cents apiece. This latigo leather is at a higher price than I have ever seen it. The schedule is for 53 cents. This reduced would make that cost the Government \$1.20 a pound when cut into those thongs. The operation is very simple. He was allowed 15 cents for each thong or over twice the actual value of the leather, and I think that any man who is familiar with cutting thongs would bear me out in saying that the labor cost of cutting the thongs was very slight and could not enhance the value of from 53 cents to \$1.20 a pound by merely slitting up into thongs.

Mr. GRAHAM. Was there anything wrong about the weight of that leather?

Mr. BENNETT. I have not gone into that.

Mr. GRAHAM. Was your attention directed to any other errors in charges for the weight of leather except the two contracts that you have mentioned?

Mr. BENNETT. My attention was directed but I haven't had time to get settled on that; in order to verify these overcharges in leather it is necessary for one to go to the different sections to get blue prints and specifications either in weight or square foot.

Mr. GRAHAM. Do you know, Mr. Bennett, about the price of leather such as is required for the making of these articles. Now as concerns the making of harness, was it fair?

Mr. BENNETT. I do not know anything absolutely, only what I have taken from journals. The price is higher than it was at the time of the signing of the armistice.

Mr. GRAHAM. Did you look at the specifications of these articles that Mr. Long was making?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. What kind of leather was required?

Mr. BENNETT. Latigo leather.

Mr. GRAHAM. What is latigo leather?

Mr. BENNETT. It is a light tan leather with special tanning, which is made for strings.

Mr. GRAHAM. As I remember he was using black leather in some?

Mr. BENNETT. For harness and headstocks and he used it for aperejos. Some of it was black. He used a great deal of black leather.

Mr. GRAHAM. Can that be used for anything else?

Mr. BENNETT. I couldn't see why it could not be.

Mr. GRAHAM. Do you know whether Mr. Long to-day is in the business of making anything except shoes?

Mr. BENNETT. I do not.

Mr. GRAHAM. Have you been in his factory?

Mr. BENNETT. No, sir.

Mr. GRAHAM. This leather that was in the butts and hides, that he took back, was that hide given a special tanning as appeared by the claim?

Mr. BENNETT. No, sir; simply harness leather or bridle, or russet bends or backs. Sometimes in the aperejo rails. The aperejo saddles pretty nearly cover a horse. Somebody invented the thing and they started to make them. They are some kind of a packsaddle as I understand used on disorderly horses. They have a lot of hickory sticks in them, and they catch an ugly or unbroken horse or broncho and let him run for 24 hours. If he lives through that they take him out and if he dies they put it on another.

Mr. GRAHAM. What is the use for it in the service?

Mr. BENNETT. I can not see a correct use for it.

Mr. GRAHAM. I have here, Mr. Bennett, some specifications, a copy of some specifications that have been handed me and which are supposed to contain the plan of adjustment of these contracts as to leather and that sort of thing. I wish you would look at it and tell me whether you know whether that is used in the settlement of these contracts. It may be just possible that you do not know?

Mr. BENNETT. I have seen a great many of them in connection with the claims. The black leather carries a special allowance on it and cut leather and russet leather. Those are the allowances supposed to be used. The head of the department got this up and sent it out and I think this is the reference that was sent to all zones and all the negotiators for settlement. I think they used this as a basis.

Mr. GRAHAM. Then as you understand it this is the basis for all settlements on leather goods?

Mr. GRAHAM. Mr. Bennett, are there any other matters in connection with these claims that you desire to call this committee's attention to?

Col. GOETZ (interposing). This plan of settlement applies to the regular harness manufacturers, but it did not apply to the New England manufacturers of leather equipment.

Mr. GRAHAM. Well, if it did not apply to the New England manufacturers there is no necessity particularly of our bringing it in at this time, although it might be useful in general. We will let it go in.

BENNETT EXHIBIT No. 2.

PLAN OF ADJUSTMENT.

1. The Government shall accept, after proper inspection, all completed articles of specification quality at the contract price.

2. The Government shall permit the contractor to complete and shall accept, after proper inspection, all units in process and component parts on which 80 per cent of the total labor cost for completing the same has been expended, to be paid for as provided in paragraph 1 for completed units and as provided for hereinafter for component parts.

3. The Government shall accept all component parts or articles which are shown in the attached list of component parts as being issuable or having a known salvage value. These component parts will be completed and paid for (a) as per the attached schedules where applicable; (b) by contract price where applicable; (c) by taking the manufacturer's estimate of labor and material on the item, to which shall be added 10 per cent overhead and 10 per cent profit, this latter method to be followed where neither of the other methods is applicable.

4. The following is a list of complete units which are considered to have a known salvage value and which it will be for the benefit of the Government to have made up, in all cases where cut leather is in stock or process sufficient to completely make up the unit article: Artillery bridles, near; Artillery bridles, off side (less reins and coupling straps); Cavalry bridles; riding bridles, J62; halters, leather, all kinds; Quartermaster breast collar harness, load and wheel, H. T. G.; cable trace; ambulance harness, lead and wheel, J124; all riding saddles; cart harness, J95; combat harness, collar and hame, lead and wheel.

5. There is attached also a list of component parts which are considered to have a known issuable or salvage value, and which it is considered to be to the advantage of the Government to have made up in all cases where cut leather is in stock or process to manufacture the same.

Cut russet leather.—On account of the great variety of lengths, widths, substances, and shapes, as well as the fact that part of this leather is sold by the foot and part by the pound, it is impracticable to establish a uniform value on cut parts.

The method of arriving at this cost will be as follows:

A certified estimate will be furnished by the contractor, which will be verified from the books if necessary.

The cut stock will then be disposed of, as follows: (a) Accepted by the Government at cost plus 10 per cent; (b) completed as component parts and accepted, as provided for under paragraphs 4 and 5, above; or (c) retained by contractor at a price to be agreed upon by the zone supply officer.

RAW MATERIAL—LEATHER.

All leather of specification quality and which is applicable to the terminated portion of the contract, shall, after the usual inspection, be disposed of as follows, with the following allowances:

(a) All black harness leather backs, bends, or sides shall remain the property of the contractor at an allowance of 15 per cent from its net invoice cost price.

(b) All collar leather shall remain the property of the contractor at an allowance of 15 per cent from its net invoice cost price.

(c) All russet harness, strap and bag leather, latigo and rawhide lace leather shall become the property of the Government at the net invoice cost price to the contractor, unless and to the extent that the parties may agree that the contractor will retain the russet strap harness and bag leather, in which event the following allowances will be made: Russet strap in sides, 33½ per cent; russet strap in backs, 50 per cent; russet harness in sides, 33½ per cent; russet harness in backs, 50 per cent; russet bag leather, 25 per cent; latigo and rawhide lace, 33½ per cent.

(d) All rawhide calfskins, russet calfskins, wool skins, and smoked elk skins shall, when the property of the Government, be taken back by it, and when owned by the contractor be taken over by the Government at the net invoice cost price, as they are of practically no use to the saddlery trade and may be converted and sold to better advantage in other channels.

HARDWARE.

(a) All commercial hardware shall become the property of the contractor at an allowance of 50 per cent from the net cost price.

(b) All special hardware, including special rivets, provided by either the contractor or the Government, shall become the property of the Government at its net cost price.

(c) All commercial copper and iron rivets, except as above noted, shall become the property of the contractor on an allowance of 50 per cent from the net cost price.

(d) All special ornaments, such as spots, rosettes, and other distinctive hardware marking United States equipment, shall, when the property of the Government, be taken back by it, and when owned by the contractor be taken over by the Government at the net invoice cost price.

THREAD.

All thread shall remain the property of the contractor at the following allowances from the net cost price, namely: Machine and hand linen thread, 33½ per cent; cotton white and gray thread, 40 per cent; colored cotton thread (on account of its being subject to rapid deterioration), 75 per cent.

BOXES AND MATERIALS FOR PACKING (WHICH INCLUDES PAPER, STRAP IRON, NAILS, AND MISCELLANEOUS ITEMS USED IN PACKING).

On account of the very wide range in prices on lumber throughout the United States, it is deemed inadvisable to advise you particularly on the subject of boxes and box material, and you are authorized to make the adjustment on this item according to your best judgment and in accordance with the prices of lumber in the particular locality where you are located.

FELT.

All felt in rolls and in cut pieces, the property of the Government, shall be returned to the Government and the contractor allowed the price paid the Government therefor. All felt furnished by the contractor to be subject of special negotiation with him.

Bridles for Quartermaster breast-collar harness, H. T. G. cable trace; lines for Quartermaster breast-collar harness; all parts ambulance harness, J.124; all parts combat breast-collar harness except breast collars and traces; bridle reins, all kinds, in pairs.

Saddle parts.—Coat straps, stirrup straps, cincha straps, side quarter straps, pommel and cantle quarter straps, stirrup hoods, hair and cotton cinchas.

6. The items covered by paragraphs 4 and 5, both in units and component parts, you are authorized to permit the contractor to complete where cut leather is in process or in stock, as above stated, but no leather shall be cut from the side to complete these articles and no other complete units or component parts except those specified in the list will be made up, except as provided in the clause wherein it is stated that if 60 per cent of the productive labor has already been expended upon the article, then you are authorized to complete the articles either as a unit or as a component part, as the case may be, regardless of its salvage or issuable value.

7. The purpose of the above provision is to provide that in cases where the manufacturer of an article or component part has proceeded to the extent of 80 per cent of the total labor necessary to complete the same, the article, or component part, as the case may be, may be made up regardless of its known salvage or issuable value, but where labor has not been expended on it up to the 80 per cent, and the article or component part has no salvage value or is not issuable, that no further work be done thereon.

8. Articles or component parts which have a salvage value or are issuable, and which it is advisable to finish though now less than 80 per cent completed, are set forth in the foregoing schedules.

PRICES AND ALLOWANCES.

9. All cut leather on which no other work has been done and which has passed the usual inspection shall be retained by the contractor and following allowances made the contractor on account thereof:

CUT BLACK HARNESS LEATHER.

(a) Long straps, which included those 20 inches and over, cut from backs and butts, 55 cents per pound.

(b) Long straps cut full length of side, cut through lower part of butt and shoulders; short straps; parts cut from shoulders and butts, 35 cents per pound.

(c) Center belly and head cuts, died cut stock and loops, 0.05 cents per pound.

DUCK AND DRILL.

All duck and drill furnished by the Government shall be returned to the Government and the contractor allowed the price paid the Government therefor.

All duck and drill furnished by the contractor shall be the subject of special negotiation with the particular contractor.

APAREJO INTERLINING CLOTH AND APAREJO ROPE, AND SHEEPSKIN LETTERS.

All aparejo interlining cloth and aparejo flannel, rope, and sheepskin letters the property of the Government shall be returned to the Government.

BLACKING, WAX, GREASE, DRESSING, AND FINISHES.

All blacking, wax, grease, dressing, and finishes of all description will be kept by the contractor, with no allowances.

Mr. GARRETT. In view of that statement of Col. Goetz, you might refer in your original testimony to the plan of settlement that was agreed upon?

Mr. BENNETT. This is the plan of settlement that was applied to harness manufacturers that were regularly in the business.

Mr. GARRETT. Now, in the testimony this morning, as I recall it, you said in regard the plan of settlement that you first attempted to apply this and it was found that it would not work out well and then you adopted another plan? You tried to get a uniform plan?

Mr. BENNETT. We found that it was impractical when applied to a manufacturer who set up his facilities from the ground, and we got the New England manufacturers or other manufacturers to come in to formulate a plan of settlement, something along this line to suit the particular requirement.

Mr. GARRETT. Those who had put in their facilities with the beginning of the contract?

Mr. BENNETT. Yes, exactly so.

Mr. GARRETT. Now, Mr. Bennett, what you ought to call the attention to in particular, is this contract for Artillery bridles?

Mr. BENNETT. This is a formal contract.

Mr. GARRETT. Were a very large proportion of these contracts with Mr. Long informal?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. What did they consist of?

Mr. BENNETT. They consisted of some agreement, or started from some verbal commitment, or signed agreement was illegally signed so that it came back and drifted into the contract. This contract was designated as P1095-1514182. The verbal agreement, as they call it, was made on June 26, 1918, and in that contract Mr. Long was to begin operations on August 1 and deliver 10,000 bridles in August and 10,000 a month until completed. I would like to mention in this connection that the Government, under the contract, was to fur-

nish all material. The russet leather, strap leather, 7 and 8 ounce insides, was to be furnished as follows:

A grade at 57 cents, B grade at 55 cents, E grade at 53 cents.

Backs: A grade at 81 cents, B grade at 76 cents, E grade at 74 cents.

The reason I refer to that leather is because I want the plan clear. All the hardware was furnished. This is a form used by the Ordnance Department when the contract was placed with the contractor and in connection, this contract was canceled, and I am trying to find the letter which canceled it. It don't seem to be in this copy here. But here is a letter from Mr. Long himself. This is a copy of a letter dated August 16, 1918, addressed to Capt. James A. Hartman, Ordnance Department, Office of the Quartermasters' Department:

SIR: We have received your letter under date of August 13 canceling verbal order recently given us for 50,000 Field Artillery bridles. We regret that you have no requirements for these bridles, but have canceled the same as requested. The writer will call on you sometime in the future in the hopes that you will have further business for us to make proposals on.

Yours, respectfully,

R. H. LONG Co.,
By RICHARD H. LONG.

And there is a note on it by Maj. Thomas, who is head of the leather section—

It appears from the records of the leather and rubber branch that the foregoing is a correct copy of correspondence received in this branch.

And on the 13th day of August Capt. Hartman did write him that they had orders to discontinue the Artillery bridles, such as he should be making, and that the order should be canceled, and this was his answer to it. Later on in the war game, I do not know just the date, Mr. Long files a claim against the Government on this contract for \$31,350.98, which is allowed. I can make it clear. I am sure in the first place that the verbal commitment, or whatever it may be, distinctly states that the Government was to furnish all material.

Mr. Long has charged back to the Government on this contract 3,500 feet of latigo; 5,392 pounds of russet bridle leather, and he has charged overhead of \$896.95, making a total of \$7,921.21. The Government takes that off his hands and pays that for it; then he charges back for it a great many things to the amount of \$2,278.14, making a total amount that the Government takes of \$10,991.43, including \$1,836 overhead. The records show that absolutely no leather was shipped, or if it was ordered for Mr. Long on this contract, it is a fact that they would ship some of the hardware and bits and other things, but they never did ship any of this.

Mr. GARRETT. How did you find that out, Mr. Bennett?

Mr. BENNETT. What was shipped. From the records in the leather branch.

Mr. GARRETT. Did they keep a record of every shipment?

Mr. BENNETT. They do where the Government is to furnish the leather, the date shipped, and the date received. There was never any leather shipped to him, and I have Maj. Thompson's letter verifying the fact that there was no leather shipped specifically.

Mr. GARRETT. Where is Maj. Thompson's letter?

Mr. BENNETT. I thought it was here. I will get it if you want me to take the time.

Mr. GARRETT. A letter from Maj. Thompson to us that no leather was shipped to Mr. Long at all?

Mr. BENNETT. He further states that on the latigo leather would be 1,250 square feet. Now, this bridle, all the material it takes for latigo leather is a little bit of a chin string. The specifications from the blue print which I have allows 15 by 14 or 15 inches long, which figures up something like 5 square inches of leather. Now the amount of leather that the Government would have shipped would have been 1,250 feet, as I remember it, whereas 3,500 feet of leather were charged for by Mr. Long.

Mr. GARRETT. And never bought any?

Mr. BENNETT. I do not know what he bought. He claims that this leather was used by some firm he placed the order with, without notifying somebody.

Mr. GARRETT. Could that have been done?

Mr. BENNETT. I do not know how that could be. I suppose that if the Government was to furnish the leather they would not depend on the contractor to buy it.

Mr. GARRETT. You don't believe that?

Mr. BENNETT. He claimed he paid and bought part of that from some firms. Three thousand five hundred feet of leather was at Robertson's, while 3,592 pounds of russet was at Alexander Bros.

Mr. GARRETT. Mr. Long claims that he bought it there at an advanced price over the present?

Mr. BENNETT. The Government agreed to furnish this leather at the prices that the Government was to furnish this leather. Russet strap leather was 57 for the highest grade of russet bridle. I suppose that the russet backs at the highest prices that the Government would have to pay for that would be 81 cents. I think they charged it to him.

Mr. GRAHAM. What did he say?

Mr. BENNETT. He charged this off at 97, which would be 16 cents a pound if the Government had shipped to him and on the latigo leather, they do not mention latigo leather here.

Mr. GARRETT. Who swore to that claim?

Mr. BENNETT. Richard H. Long.

Mr. GARRETT. Personally?

Mr. BENNETT. Signed R. H. Long, in pen, and it is here:

I certify that the inventory of the sum of the attached sheets are true to the best of my knowledge and belief.

Mr. GARRETT. I think you better insert in the record a copy of the leather prices that he met there. Is there anything further in connection with this claim that you want to correct or call attention to?

Mr. BENNETT. Nothing in particular, but I want to call your attention to the fact that Mr. Long has signed claims, that he had a whole lot of contracts dating as far back as in April, 1918, that were not touched at all. That he didn't complete them, and that he received a special allowance for having a lot of contracts on hand at the time the armistice was signed, and one of them was a very large order, in which he is delivering part of them, and is way behind in his deliveries. That he had plenty of work on these contracts, some-

times for four or five months he disregarded them so that now he gets \$31,000 as a settlement of this claim.

Mr. GARRETT. Are there any other of these contracts that received the same consideration?

Mr. BENNETT. There are some matters that I would like to call to your attention, but I can not dig them out to-day. These contracts are very voluminous. I intended to have it in pretty good shape, and I would have if——

Mr. GARRETT. There is nothing more that you want to bring out to-day? You do want a further examination and get further information about them?

Mr. GRAHAM. We need some more witnesses in the morning in reference to this matter. A couple of witnesses who may throw some additional light in regard to the former character of the claims board.

Mr. JEFFERIS. Do you know the amount of informal contracts which the Long Co. had?

Mr. BENNETT. Why, the amount of informal contracts that he filed claims on amounted to \$10,407,000, and there are some others that I have not in this list. They have about \$1,000,000 of helmet linings, and I expected that the contract would be here before I gave any evidence on it.

Mr. JEFFERIS. You mean the first amount of these contracts?

Mr. BENNETT. They amounted to \$10,400,000.

Mr. JEFFERIS. Then, in the settlement of those informal contracts, in the settlement of claims how much was allowed?

Mr. BENNETT. The gross amount of claims was \$1,367,859.35. That was the amount paid Mr. Long.

Mr. JEFFERIS. Then I suppose, in addition to that, he retained a large amount of material. Is that it?

Mr. BENNETT. Mr. Long retained \$351,404.77.

Mr. JEFFERIS. Was that salvage value or cost?

Mr. BENNETT. That is what he claimed it cost him, like this leather at 97 cents that the Government would have bought at 77. Most of that he allowed \$195,991.04. The fair value approximated \$155,000 to \$156,000.

Mr. JEFFERIS. Now, do you know the amount of those contracts that are what you call formal contracts?

Mr. BENNETT. All that I have seen are included in this list. This includes the formal and informal that I have made up.

Mr. JEFFERIS. I know, but what is the amount?

Mr. GARRETT. Did you put that list in?

Mr. BENNETT. Yes, sir; I did.

Mr. GARRETT. Mr. Bennett, have you examined any of the other contracts except those with the Long Co.?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. Have you examined any of the settlements of this Long Island company, the *Lada*?

Mr. BENNETT. I think that I have looked it thoroughly over. There are a bunch of them. I did not make a sheet of them.

Mr. GARRETT. The Grayton and Knight at Worcester?

Mr. BENNETT. Yes, sir; I have a sheet on Grayton & Knight at Worcester, the same as this is.

Mr. GARRETT. Have you made any examination at Chicago, Woodway & Co.?

Mr. BENNETT. No; I have not run across their company.

Mr. GRAHAM. Are Woodway & Co. subsidiary, as Col. Goetz testified, of Montgomery Ward?

Mr. BENNETT. I haven't checked their contracts at all.

Mr. GRAHAM. Now, as I understand you, Mr. Bennett, you infer and wish the committee to infer that Long & Co., if that is the style of it, have charged up to the Government leather which they did not have, and in that way have defrauded the Government?

Mr. BENNETT. I don't wish the committee to infer anything. I wish to say to the committee that Long & Co. charged up the leather, but I did not say he did not have it. I say he charged up the leather and took the discount, and thereby reaped the profits, but I did not say that he did not have the leather.

Mr. GRAHAM. Do you know how that is, whether he had the leather or not?

Mr. BENNETT. No, sir; I do not.

Mr. GRAHAM. Have you had any way of ascertaining that fact?

Mr. BENNETT. Only these records which have been prepared by these men, who are supposed to be able men.

Mr. GRAHAM. You have been up to Framingham in the course of your investigation?

Mr. BENNETT. No, sir; I have not.

Mr. GRAHAM. You have been to New England?

Mr. BENNETT. I have been to Boston only.

Mr. GRAHAM. Whom did you discuss this matter with in Boston?

Mr. BENNETT. You mean in a general way of discussing it?

Mr. GRAHAM. You were there looking into this business. Different other companies there, that was your business?

Mr. BENNETT. My business in Boston was to ascertain about the special facilities. I have some of these items charged where Mr. Long charged up special facilities and gave the itemized machinery. In other cases he simply lumps up special facilities and I find that he has charged up \$150,000 of special facilities, but nobody knows what they were.

Mr. GRAHAM. Have you visited the factory from which he is supposed to have purchased these special facilities?

Mr. BENNETT. No, sir; I suppose that I could get it at the zone office. My investigation was confined to the zone office.

Mr. GRAHAM. And you could not get the information?

Mr. BENNETT. I was informed that the machinery from different places, that they had some arrangement either verbal or otherwise in which Mr. Long's special facilities were lumped in. I have not seen anything in my examination of settlements where it allows the contractors to lump in all his special facilities and use them in the contracts and duplicate them on the Government after he has made his profits and ask the Government to pay for it. That is why I went to Boston to get some information.

Mr. GRAHAM. Did you find anything there in the way of special facilities?

Mr. BENNETT. In the Ordnance departments he gave the special facilities—that is, with the Ordnance claims board.

Mr. GRAHAM. Those you have recited.

Mr. BENNETT. That was on the helmet lining which I have told you about.

Mr. GRAHAM. You told about some special facilities charged in on the haversack contract.

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Those were the ones that you could not find out what they were.

Mr. BENNETT. Yes. He just makes it up as \$102,000 and \$104,000, and then he sold them at \$10,000.

Mr. GRAHAM. Sells them or buys them?

Mr. BENNETT. He claims to have sold them to outside parties.

Mr. GRAHAM. Did you ascertain what those special facilities consisted of? That \$102,000 that you mentioned?

Mr. BENNETT. That was simply machinery, looms, etc.

Mr. GRAHAM. Did you prosecute your investigation far enough to verify the accuracy of the price charged, \$102,000?

Mr. BENNETT. No, sir; I do not know whether or not he expended that much.

Mr. GRAHAM. Does the contract show what date he claims to have bought those machines?

Mr. BENNETT. No, sir.

Mr. GRAHAM. And you do not know?

Mr. BENNETT. No, sir.

Mr. GRAHAM. Do you know whether there were auditors there at the factory to verify these statements?

Mr. BENNETT. No, sir; nothing to show. There are statements, a great many of them, filed by a lieutenant that has been there, and satisfied himself that they were true and correct. A lieutenant by the name of Curtis. I think he settled all contracts with R. H. Long Co. and that F. P. Liberty had the textile contract.

Mr. GRAHAM. Your recollection is that his name is Lieut. Curtis?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Did you discuss the matter with him?

Mr. BENNETT. No, sir; he is out of the service now, so I understand. I find in connection with the last big contract a statement by W. J. Morton, "That I have checked up the statement in the attached report and find the same correct." I do not know Mr. Morton.

Mr. GRAHAM. There were deliveries, I believe you said, as late as March, 1919?

Mr. BENNETT. Yes; on the later contracts, for bridles.

Mr. GRAHAM. Did that amount to much?

Mr. BENNETT. I have a sheet here taken to-day from the schedule of delivery and some of the contracts, and some of them had quite a delivery made after the 30th of November.

Mr. GRAHAM. Of course, Mr. Bennett, you do not know anything about the condition of material that was in the shop at the time of cancellation of any of these contracts other than as to obtaining it from these statements of settlements?

Mr. BENNETT. That is all.

Mr. GRAHAM. I believe you stated that you had examined the contract sufficiently to know as to the character of material that was taken away by Long & Co.?

Mr. BENNETT. Yes, sir; as designated in the settlements.

Mr. GRAHAM. But they do not show anything about the character of the material that the Government took over?

Mr. BENNETT. No, sir.

Mr. GRAHAM. I believe you stated that you did not know whether Long was engaged in harness making now or not?

Mr. BENNETT. I do not know.

Mr. GRAHAM. This material that he took over, was any of it suitable except for harness or do you know enough about leather to give an opinion?

Mr. BENNETT. I think there are other people that can give you better information on it. I assume that they could use it for other purposes, but I am not sure of it.

Mr. GRAHAM. Can't some of it be used for making shoes?

Mr. BENNETT. I think some of it could be. I would be willing to buy a pair made of almost anything if I could get a reasonable price.

Mr. GRAHAM. Did you find any other contract except that for 50,000 bridles in which the Government was to furnish the material, in going over these cases?

Mr. BENNETT. I don't remember as to that. I didn't check the contracts particularly. This contract was very peculiar to me and I took it through very carefully. I haven't checked all the contracts.

Mr. GRAHAM. What is the date of that 50,000 bridle contract?

Mr. BENNETT. The one to which you refer, it is a purchase order, an informal contract. I have a copy of Mr. Harpham's letter. I will read it to you if you want it.

Mr. GRAHAM. That is the cancellation order?

Mr. BENNETT. I have it here. It is addressed to R. H. Long, Framingham, Mass.:

SIR: Under the date of June 20 you submitted a proposal on field artillery bridles, model 1914. On June 26 you were advised that an order was in process of preparation for 50,000 of these bridles and it would be forwarded as soon as necessary approval was obtained.

Since that time orders have been received canceling the requirements on these bridles. On account of this fact regret very much to advise it will be impossible to send through formal contract covering this item.

By authority of the Acting Quartermaster General.

Respectfully,

R. E. WOOD,

Acting Quartermaster General.

By JAS. H. HARPHAM,

Captain, Ordnance, National Army.

And down in the lower left-hand corner there appears this:

It appears from the records of the clothing and equipage division that a letter, of which the foregoing is a copy, was sent to the addressee.

J. E. VAN HORNE, JR.,

First Lieutenant, Quartermaster Corps.

And that was a verbal order that he made and submitted proposition on June 20, but that he was notified on June 26 that an order was in process or that a contract was in process of making, and that the canceling of the order occurred about August 13, 1918; to be exact a month and 17 days, or a month and a half.

Mr. GRAHAM. Was the price of leather fixed at that time by the Government?

Mr. BENNETT. The Government, whenever it sent out contracts to the contractors, where they were to furnish the leather, always fixed the price at which they were to furnish the leather, but I understood that there was an agreement, but that the War Industries Board did not fix the price of leather.

Mr. GRAHAM. Is that correct? Did not the War Industries Board fix the price of leather absolutely?

Mr. BENNETT. No, sir; there was a gentlemen's agreement that the price would be so much for a certain period, but I can't tell you.

Mr. GRAHAM. I was under the impression that Col. Goetz stated that.

Mr. BENNETT. I think it was in Col. Goetz's statement that that came out.

Mr. GARRETT. Col. Goetz is not here.

Col. Goetz, a witness, was recalled.

Mr. GARRETT. Col. Goetz, I was asking whether the price of leather had been fixed by the War Industries Board. We were wrong about that?

Col. GOETZ. The price of leather was fixed by the tanners' counsel and approved by the War Trade Board. I am partially correct in my statement. The price of sole leather and the price of black harness leather were fixed by the War Industries Board, but on russet leather there was no fixed price.

Mr. JEFFERIS. Col. Goetz, I would like to ask you a question or two. Colonel, I understand that the men who gave you your so-called promotion were Mr. Thorne and Gen. R. E. Wood, then quartermaster general?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. Do you know what he is doing now?

Col. GOETZ. I believe he is in the employ of the Montgomery, Ward & Co.

Mr. JEFFERIS. Is Mr. Thorne in the employ of Montgomery, Ward & Co., too?

Col. GOETZ. I believe Mr. Thorne is one of the members of the firm.

Mr. JEFFERIS. You believe Mr. Thorne is one of the members of the firm?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. About when did Gen. R. E. Wood sever his connection with the War Department to go with Montgomery, Ward & Co.?

Col. GOETZ. Sometime after the armistice was signed.

Mr. JEFFERIS. Do you know what had been his business before he went into the employ of Montgomery, Ward & Co.?

Col. GOETZ. As I understand it, he was a Regular Army officer.

Mr. JEFFERIS. He was a Regular Army officer for a number of years before the war?

Col. GOETZ. Yes, sir.

Mr. JEFFERIS. You do not know whether Gen. R. E. Wood has Mr. Thorne for assistant here in Washington?

Col. GOETZ. I have no knowledge of that. No, sir.

Mr. JEFFERIS. But as you understand it now Mr. Thorne, who was one of the officers or leading men of Montgomery, Ward & Co., has

returned to that company, and also Gen. Wood has gone into its movement

Col. GOETZ. Yes, sir. Nearly all the officers, or a great many of them, that were responsible for the conditions that now confront us are no longer in the service. They have nearly all gone out on some reason or other, and the few that remain have to clean up the dirt.

Mr. JEFFERIS. Was it a fact, Colonel, that those who have gone out were there when contracts were being made, etc., and have gone into pretty good positions since they left the War Department?

Col. GOETZ. I know some of them have.

Mr. JEFFERIS. You do not know what salary Gen. R. E. Wood gets from Montgomery, Ward & Co.?

Col. GOETZ. I have no means of knowing.

Mr. JEFFERIS. Do you know whether Mr. Thorne and Gen. Wood severed services about the same time?

Col. GOETZ. I have heard it said, but I could not give any specific date.

Mr. JEFFERIS. You do not know, Colonel, from remembrance, from the amounts of contracts that this Woodway Harness Co. had?

Col. GOETZ. I do not, but I could get you that information if you so desired.

Mr. JEFFERIS. I would like to know it for my own information.

Do you know if there are any other subsidiary companies of Montgomery, Ward & Co. that had any contracts with any other department of the Government with which you came in contact?

Col. GOETZ. None to my knowledge. I believe that these mail-order houses are interested in a number of factories throughout the country.

Mr. JEFFERIS. Do you know there were any of the subsidiary companies which were controlled by Sears, Roebuck Co. that had any harness contracts?

Col. GOETZ. I do not. One concern that manufactures harness largely for Sears, Roebuck & Co. had a number of our contracts.

Mr. JEFFERIS. What company was that?

Col. GOETZ. Hass & Hopkins Leather Co., Rockville, Ill. I do not even know if the company is a subsidiary of Sears & Roebuck, but I know that they did a lot of work for the Sears & Roebuck Co.

Mr. JEFFERIS. I wish, Colonel, you would look up for me or for the committee the total amount of contracts that this Woodway Co. had for harness and leather goods.

Col. GOETZ. I shall be very glad to do so.

Mr. GRAHAM. I would also like to know about Sears & Roebuck, so that we can definitely ascertain if this company you speak of is a Sears & Roebuck subsidiary company. I know in a general way they have some 40 or 50 factories scattered over the country, but I would like to know if this is a subsidiary.

Col. GOETZ. I do not know, only from what I have heard. They have a factory in Evansville, Ind., making buggies, and I believe another factory in Norwalk, Ohio, manufacturing stoves.

Mr. GRAHAM. Have these war contracts?

Col. GOETZ. I do not know whether they have war contracts.

Mr. GRAHAM. Did this Hess & Hopkins Co. have war contracts?

Col. GOETZ. They had quite a number for the Quartermaster Corps.

Mr. GRAHAM. Well, Sears & Roebuck itself had war contracts, didn't it?

Col. GOETZ. I believe that they supplied the Commissary Department. I do not know whether they manufactured any products for the War Department. I know the mail-order houses supplied us with blankets while we were at Jeffersonville. I am of the opinion that both of these mail-order houses furnished blankets while I was out at Jeffersonville, but that on my detachment.

(The committee then, at 5.05 p. m., adjourned until 10.30 a. m. to-morrow.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Saturday, October 25, 1919.

The subcommittee met at 10.30 o'clock a. m., pursuant to adjournment on yesterday, Hon. William J. Graham (chairman) presiding.

Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.
Mr. GRAHAM. We will hear Col. Besse.

**TESTIMONY OF MR. ARTHUR L. BESSE, NO. 5 GARDEN TERRACE,
CAMBRIDGE, MASS.**

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Col. Besse, your name is what?

Mr. BESSE. Arthur L. Besse.

Mr. GRAHAM. Where do you live?

Mr. BESSE. No. 5 Garden Terrace, Cambridge, Mass.

Mr. GRAHAM. Were you formerly a lieutenant colonel in the United States Army?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. During what period?

Mr. BESSE. I was lieutenant colonel from some time in June, 1918, to May 10, 1919. I was also in the Army for the year before that.

Mr. GRAHAM. Were you in the Regular Army or did you just go from civilian life when this war began?

Mr. BESSE. I went in from civilian life in July, 1917.

Mr. GRAHAM. What was your business prior to going into the service?

Mr. BESSE. I was in the retail clothing business, chain stores.

Mr. GRAHAM. At Cambridge?

Mr. BESSE. No; we have a number of places throughout New England, and in Kansas City, and in Syracuse, N. Y.

Mr. GRAHAM. Since going out of the Army what has been your business?

Mr. BESSE. Wholesale clothing.

Mr. GRAHAM. What firm?

Mr. BESSE. J. C. Welton & Co.

Mr. GRAHAM. When did you go out of the service?

Mr. BESSE. May 10, 1919.

Mr. GRAHAM. While in the service did you have anything to do with the settlement of war contracts?

Mr. BESSE. Yes. I supervised the settlement of all contracts which were outstanding on the part of the Gas Defense Division, Chemical Warfare Service.

Mr. GRAHAM. What was your official designation? Were you a member of any board?

Mr. BESSE. I was chairman of the board of review of that section.

Mr. GRAHAM. Of the Boston section?

Mr. BESSE. New York.

Mr. GRAHAM. Was that a part of the Quartermaster Corps?

Mr. BESSE. No, sir; of the Chemical Warfare Service, an entirely separate branch.

Mr. GRAHAM. You had a separate board of review?

Mr. BESSE. We had separate contracts and separate settlements.

Mr. GRAHAM. At any time did you have anything to do with any contracts with the R. H. Long Co., of Birmingham, Mass.?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. When did you first have anything to do with any contracts with Mr. Long?

Mr. BESSE. Do you mean in the settlement of them or the placing of them?

Mr. GRAHAM. Well; we will start at the beginning, and trace your connection with them.

Mr. BESSE. In December, 1917.

Mr. GRAHAM. What was your connection with Mr. Long at that time?

Mr. BESSE. I was the chief in charge of the procurement department, and working under me was Maj. Dickinson, whose particular job was that of securing knapsacks. Mr. Long desired to make knapsacks for the department, and came to us soliciting business?

Mr. GRAHAM. Do you know whether, up to that time, he had made any knapsacks?

Mr. BESSE. This was an entirely new article, and no one had made them except people to whom we had given prior contracts.

Mr. GRAHAM. Who had been making them prior to that time?

Mr. BESSE. The Simmons Hardware Co., of St. Louis, was the only one prior to Mr. Long's contract.

Mr. GRAHAM. Were they to be made of leather?

Mr. BESSE. No, sir; of canvas or duck.

Mr. GRAHAM. Did you talk with Mr. Long at that time?

Mr. BESSE. No, sir. I had some correspondence with him, and then turned him over to Maj. Dickinson, who handled the actual negotiations looking to the placing of the business.

Mr. GRAHAM. Did you afterwards make a contract with Mr. Long?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. Do you know whether at that time he had any facilities for the making of knapsacks?

Mr. BESSE. Yes; he did, and that was one of the arguments he advanced as to why he should be awarded a contract—because he had the facilities and could begin on immediate production.

Mr. GRAHAM. Were those facilities the result of his ordinary business, or as the result of other contracts?

Mr. BESSE. I think he had possibly used some, but I do not think he used the majority of it in his own business.

Mr. GRAHAM. Had he been doing war work?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. For whom?

Mr. BESSE. For foreign governments, I think, but I am not sure.

Mr. GRAHAM. He made a contract, did he?

Mr. BESSE. Yes, sir; for 1,000,000 knapsacks at 52½ cents each, a total of \$527,500. That was his first contract.

Mr. GRAHAM. And what after that?

Mr. BESSE. We gave him another contract for 2,000,000 knapsacks at the price of 45 cents, a total of \$900,000. The total of the two contracts would be \$1,427,500.

Mr. GRAHAM. Those were for knapsacks?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. Included in those contracts was there any claim for special facilities?

Mr. BESSE. In the first contract there was a proviso by which payment could be made on loss for special facilities when loss could be proven, but there was no such provision in the second contract.

Mr. GRAHAM. Did you have any connection with any other contract except knapsacks.

Mr. BESSE. With Mr. Long?

Mr. GRAHAM. Yes.

Mr. BESSE. No, sir.

Mr. GRAHAM. After the making of those contracts and during the progress of the work, did you have anything to do with furnishing material on those contracts?

Mr. BESSE. Yes, sir. We furnished a very considerable amount of material. We figured that the cost to the Government of a knapsack was, approximately, \$1.60, so that you can see the greater portion of the material had to be furnished by us to Mr. Long. This cost to him was for labor and various incidentals which went into their manufacture.

Mr. GRAHAM. Did he complete those two contracts?

Mr. BESSE. The first contract was canceled on November 11, 1918, the day of the armistice, when it was about 85 per cent complete. On the other contract there had been no deliveries, but considerable work had been done and materials had been provided.

Mr. GRAHAM. After the armistice and the cancellation of those contracts, did you have anything to do with the settlement of those two contracts?

Mr. BESSE. Yes, sir; I did.

Mr. GRAHAM. Will you tell the committee in brief what you know about those contracts and what you did.

Mr. BESSE. Well, our division canceled the contracts without real authority. We assumed ourselves that the expenditures should not be allowed to go on, and we canceled contracts on November 11, 12, 13, and 14; and one of Mr. Long's contracts was canceled on November 11 and the other on November 14, in the numerical order in which they came.

He was sent a circular letter asking him to submit his claims. He was later sent specially prepared forms on which those claims could be presented in such a way as to fall within the requirements both of the contract and the War Department circulars. It was January 2, 1919, before Mr. Long presented any claims in definite form, even at that time they were not complete. We spent a great

time therefore in getting Mr. Long to present his claims in definite, clean-cut form.

He came to the office a number of times, besides writing, anxious to talk over the contracts, but seemed unwilling to commit himself in a clean-cut statement that we might properly consider and either reject or approve. After considerable discussion, both personally and through the mails, we eventually did not make a complete settlement with him. We took over the raw materials on both contracts in an amount which we figured would be necessary to complete the undelivered portion. In one case it was a small portion, and in the case of the second contract the entire contract. We paid him the entire cost to him of those materials, and also the cost of the materials in precess; that is, I mean for the partly finished goods. We were unable to pay Mr. Long anything else, because in the opinion of our board and in my own opinion the claims that Mr. Long made were either too indefinite or were different from the terms of the contract. We considered his claims not in accordance with the spirit of the War Department in its wish to settle, nor in accordance with the terms of the actual contracts.

Mr. GRAHAM. Did you on those occasions have personal talks with Mr. Long?

Mr. BESSE. I did.

Mr. GRAHAM. What was his attitude about these matters?

Mr. BESSE. Well, his attitude to me was that he was particularly desirous of impressing me of my own incompetence and his ability to collect these contracts himself in Washington.

Mr. GRAHAM. Did he say anything about that?

Mr. BESSE. Yes; on several occasions.

Mr. GRAHAM. What did he say?

Mr. BESSE. I will read a portion of one particular letter, under date of August 1, 1919:

The writer has considerably more business experience than the most of the men who have been representing the Government, and realizes that the lack of business experience of the officers of the Gas Defense Division, Chemical Warfare Service, is the reason why we have been unable to make an adjustment of our contracts to the same extent that we have with the other divisions of the War Department.

Mr. GRAHAM. Did he say at any time anything about any settlements with the War Department? That is, how they were able to make them or anything about that.

Mr. BESSE. Not in detail, except that he was continually telling me that he had settled with the other departments, and that they had settled on a basis that he himself had outlined as being fair.

Mr. GRAHAM. What was the trouble with his claims as he presented them to you?

Mr. BESSE. There were really five divisions on which we did not agree with Mr. Long. One was his claim for facilities on the second contract—

Mr. GRAHAM (interposing). What kind of facilities?

Mr. BESSE. That is, for facilities provided expressly for the contract—tools or equipment or buildings or anything that might be provided expressly for the contract. The figure, I think, is \$118,-241.79, although in presenting his different claims Mr. Long has sev-

eral times changed his figures. He has a new claim in now, as I understand, which may possibly differ slightly from this one.

We could not agree to any payment for facilities on this contract for the reason that it was given to Mr. Long for deliveries to be made to start after the first one should be completed; and because Mr. Long, in negotiating for the second contract, particularly made a point of the fact that he had the facilities already in existence. In fact, it was necessary for us in writing the contract and putting through the digest, to state to the War Industries Board that no new or additional facilities would be required, otherwise no contract could be placed in the New England district as of that time.

Mr. GRAHAM. Had that been stated?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. And had it been agreed to?

Mr. BESSE. And Mr. Long stated that the second contract should be given to him for that reason. When the digest went through the contract board with that memorandum on it no mention of facilities such as was made in Mr. Long's first contract was made; and it was omitted for the reason it was assumed there would be no new facilities provided and no claim for damages in case the contract was terminated.

Mr. GRAHAM. But he claimed special facilities under the second contract anyhow?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. For \$118,000?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. Did he get that sum?

Mr. BESSE. No, sir.

Mr. GRAHAM. Do you know whether that claim is still pending?

Mr. BESSE. No, sir.

Mr. GRAHAM. Where?

Mr. BESSE. In Washington, in the hands of the contract adjustment board. Excuse me, I believe it is now in the hands of the war claims board.

Mr. GRAHAM. Is this difference between the first price for knapsacks and the second price for knapsacks due to the fact that the special facilities were amortized in the first contract?

Mr. BESSE. No; I think not.

Mr. GRAHAM. What is the difference in price due to?

Mr. BESSE. For one thing, because it is a larger contract; it is for double the amount; and just prior to the awarding of this second contract Mr. Long bid on a contract at a higher price than two other contractors had bid, and the contract had been awarded to the other two contractors somewhat under Mr. Long's price. Then Mr. Long, in bidding again for later business, had bid 45 cents, which was lower than the figure of the other two men.

Mr. GRAHAM. What next did he claim and that you could not agree to?

Mr. BESSE. He made claim for raw material provided for the contract. He claimed a very large amount of raw material which he said had been provided expressly for the performance of the contract.

Mr. GRAHAM. Well, had it been provided?

Mr. BESSE. We had very carefully figured out the amounts necessary, and the amount of the Long claim was considerably in excess

of that amount. There was some dispute as to what was a proper basis for figuring it, and after going into it very carefully, with actual knapsacks and ripping them apart, Mr. Long's figures were so much in excess of anything we could possibly consider that they were cut down, and he was only allowed that amount which would have been necessary, and, in our opinion, a liberal allowance, to complete the contract. That material was paid for and taken over from Mr. Long. The rest of the material is still in Mr. Long's possession. His claim on that is \$49,140.

Mr. GRAHAM. He is still claiming that?

Mr. BESSE. Yes, sir; that is a claim on thread. There is filed a claim on the other contract for some minor things, amounting to \$4,078.15, all of which we figured was in excess of any requirements for completing the contracts.

Mr. GRAHAM. Did you talk to Mr. Long about that?

Mr. BESSE. We did.

Mr. GRAHAM. What did he say about that?

Mr. BESSE. I will read you a letter on that. [Witness looks over his files.] Well, I do not find the letter now, but can read it in later, if you desire.

Mr. GRAHAM. Well, all right.

Mr. BESSE. He intimated he would have no difficulty in collecting it from some board or through some machinery that might be established in Washington, if not already in existence. He expressed himself as having confidence in doing that; that he would have no trouble in proving he was entitled to reimbursement of that amount.

Mr. GRAHAM. Had you explained to him the requirements and the amount of cloth that was necessary to make those knapsacks; did he understand that?

Mr. BESSE. It was thread rather than cloth.

Mr. GRAHAM. Well, as to thread?

Mr. BESSE. We went into that with Mr. Long, and ultimately took his figures as a basis to go on. But Mr. Long, in figuring it out, makes the same allowance, 25 per cent, twice. We figured that 4 inches of thread was sufficient to sew 1 linear inch of knapsack; that is, because in some cases two and in some cases four and in some cases six thicknesses must be sewed through; but in allowing 4 inches of thread for each linear inch, there is an allowance of 25 per cent. But Mr. Long also figured out an extra allowance of 25 per cent. In figuring this we had regard for similar conditions under the other three contracts on the same article.

Mr. GRAHAM. Did you figure on anything else he was wrong?

Mr. BESSE. He has a claim for \$52,711.64, which we did not allow for profit on uncompleted portion of his contract, made on the basis that he could have completed that in 15 days. The contract has a proviso that—

In the event of termination which is not the result of any fault on the part of the contractor, the United States shall accept from the contractor all articles or for services which shall have been completed in accordance with the terms of this agreement at the expiration of 15 days after the receipt of the aforementioned notice.

Mr. GRAHAM. He contended under that provision that inasmuch as he could have finished them in 15 days he was entitled to a profit on the whole business?

Mr. BESSE. Yes, sir. On the 12th day of November, 1918, Maj. Dickinson, who had direct charge of production at the Long plant, called up Mr. Long and talked with Mr. Long's son, and explained to him that the Government had requested him in a telegram sent on November 11 to suspend as far as possible all operations and to consider that a notice of termination of contract. He explained to him that if Mr. Long agreed to waive his rights to continue producing for 15 days he would have no right to any profit which he might have made; that it was a convenience for the Government and would mean a saving in that we would not have to pay for articles which we no longer needed. He was clearly told that there could be no profit paid if he waived his rights. Under the terms of the contract there was nothing due him because it turns out that nothing was produced during those 15 days.

Mr. GRAHAM. You speak of "his son"; who was that?

Mr. BESSE. I think his name was Richard Long.

Mr. GRAHAM. Was he an officer in the Ordnance Department?

Mr. BESSE. No, sir; he was assisting his father at the factory and had no Government connection at all.

Mr. GRAHAM. Did you know the young man?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. Was he a single man?

Mr. BESSE. I do not know whether he was or not. I only knew him in connection with the contracts.

Mr. GRAHAM. How old a man was he?

Mr. BESSE. I think about 28.

Mr. GRAHAM. How long was he there, to your knowledge?

Mr. BESSE. I do not really know. The first I really knew of his being there, I think, was in March, 1918.

Mr. GRAHAM. Do you know where he came from?

Mr. BESSE. Framingham; he lived there.

Mr. GRAHAM. You do not know whether he had been in the Army prior to that?

Mr. BESSE. I do not think he was in the Army at all.

Mr. GRAHAM. Is there anything more in the way of those claims that Mr. Long filed that was improper, to your mind?

Mr. BESSE. There was another claim that we were unable to agree with him on. The figure, I think, which I believe he has changed since, is \$150,389.18.

Mr. GRAHAM. What was that for?

Mr. BESSE. For changes in specifications. That is derived from a great many things. He claims a change in specifications cut down the width of the waste of duck which he secured, and which, under the terms of the contract, was his, thereby causing him a loss; that that change decreased the amount of production possible in the factory and made him use more employees, for whom he had to pay fares on a special train from Boston and other places, and that he was put to items of other expense on account of the changes in specifications.

The original contract provides:

The contracting officer may at any time during the life of this contract make such changes in the specifications applying to future deliveries as he may elect. In the event that such changes make an alteration of the herein-stipulated prices just and equitable the adjustment in price shall be made by contract supplementary hereto.

A change in specifications was made on August 24, 1918, I believe. Mr. Long did not file any claim in this connection, or apparently did not discover that his cost had been increased until January 2, 1919.

And we further turned down his claim because of the fact that none of the other three contractors made any claim at all. The change was originally made because of the fact that the old knapsack was made in such a way as to cause many rejections. It was thought this new method would do away with a great many rejections, and the other contractors seemed to feel that the decrease in number of rejections would more than offset any temporary dislocation to which they might be put.

Mr. GRAHAM. What was his attitude about that?

Mr. BESSE. He felt that he was entitled to it and would not compromise. In fact, there was no compromise, because I felt he should receive nothing on that score.

Mr. GRAHAM. What was his attitude about it?

Mr. BESSE. His attitude was that we had made the change and that there should be some way in which he could be recompensed for his increased expenditure.

Mr. GRAHAM. Do you know whether that claim is still pending?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. And has not been allowed?

Mr. BESSE. No, sir.

Mr. GRAHAM. Well, now, Col. Besse, I am interested in knowing, and I think the rest of the committee are, what the attitude of Mr. Long was about those matters. Did he act like he was willfully trying to get something from the Government that he was not entitled to, or did he not?

Mr. BESSE. Well, he acted very much as if he was trying to get something from the Government as to which I thought he was not entitled. As to whether Mr. Long felt he was entitled to it or not, I do not know, but he certainly exhibited a disposition to get it from the Government in one way or another. I would not be prepared to say Mr. Long did not feel he was entitled to do. That is something I do not know.

Mr. GRAHAM. You can not say, then, whether in your judgment he was honestly endeavoring to get what he thought was his, or dishonestly attempting to rob the Government?

Mr. BESSE. I would not want to state that. It seemed to me it was a dishonest attempt, because it seemed to me unreasonable and unjust. But Mr. Long may have felt otherwise.

Mr. GRAHAM. He conducted those negotiations personally, did he?

Mr. BESSE. The great majority of them were conducted personally by Mr. Long. He dealt first with Maj. Dickinson, and wanted to talk with some one higher up, and in the most of his conversations with me later on he referred to Washington, but I understand he practically had no dealings with anyone else down here.

Mr. GRAHAM. Did he ever make any threats against you?

Mr. BESSE. No. He flashed before me a letter from the Secretary of War, which has since mysteriously disappeared, to the effect that he could use his efforts to settle contracts as expeditiously as possible and immediately advise the Secretary if he was unable to do so.

Mr. GRAHAM. That was a letter from the Secretary of War to whom?

Mr. BESSE. To Mr. Long.

Mr. GRAHAM. Did he show you the letter?

Mr. BESSE. I think he did. My impression is that I saw the letter, but subsequently a search has been made for the letter in the office of the Secretary of War and it has never been found.

Mr. GRAHAM. Who searched for it?

Mr. BESSE. As to that I do not know. Request was sent to the Secretary and he replied that he did not—well, he was not able to find the letter.

Mr. GRAHAM. Col. Besse, I am curious to know more about this letter. When did Mr. Long first tell you he had such a letter?

Mr. BESSE. In a letter which he wrote to me.

Mr. GRAHAM. Can you show us a copy of this letter, or read it into the record?

Mr. BESSE. I think so. [After looking over his papers.] I am sorry to say I do not find it. This was a verbal conversation with the Secretary, Mr. Long writes about in his letter. I seem to have nothing about the letter in writing.

Mr. GRAHAM. What was the verbal conversation you refer to?

Mr. BESSE. It is mentioned in a letter from the R. H. Long Co., addressed to my office, dated February 7, 1919.

Mr. GRAHAM. What does he say?

Mr. BESSE. He says:

The writer took the matter up with the Assistant Secretary of War, Mr. Crowell, Wednesday, explaining the importance of having our factories and capital for commercial business. Mr. Crowell requested me to take up the matters of all our contracts with the various divisions and report to him concerning them, and concerning any delay on the part of the various branches of the War Department.

Mr. GRAHAM. Does that conclude the quotation?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. Who wrote this letter and on what date?

Mr. BESSE. Mr. Long, on February 7, 1919.

Mr. GRAHAM. Was that while his claims were pending?

Mr. BESSE. Yes.

Mr. GRAHAM. How did he happen to write you that letter? Was it in reply to anything you had written him?

Mr. BESSE. A portion of it was in reply to it, and in reply to conversations which we had had. Mr. Long wanted me to settle on the basis of paying a portion of the claim so he could get that money, that part of it, and take the disputed part up with some higher authority later.

Mr. GRAHAM. In response to that he wrote this letter?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. By whom was this letter signed, by Mr. Long himself?

Mr. BESSE. Yes, sir. This is a copy. The originals are in the gas-defense files.

Mr. GRAHAM. Did he also write you about some written communication he had from the Secretary of War?

Mr. BESSE. I think not. He telephoned me about that from Framingham. My recollection is that he showed me a letter, but I have

never been able to find the letter, and it may be that he simply told me about it in person. I called him on the telephone at Framingham, and asked him to get the letter, but he was unable to find it. I may have a letter from him stating he is unable to find it.

Mr. GRAHAM. Well, then, the letter from the Secretary of War, so far as you know, was simply hearsay on your part?

Mr. BESSE. Yes.

Mr. GRAHAM. That he told you he had such a letter?

Mr. BESSE. Yes.

Mr. GRAHAM. But on your request of him for it he was unable to find any such letter?

Mr. BESSE. Yes, sir. The import of the letter was substantially in accord with the part I quoted from this letter.

Mr. GRAHAM. The oral conversation?

Mr. BESSE. Yes.

Mr. GRAHAM. You do not know whether he had such oral conversation with Mr. Crowell or not?

Mr. BESSE. Except what he states in this letter.

Mr. GRAHAM. He had a letter from whom, from Mr. Crowell or Mr. Baker?

Mr. BESSE. My impression is that he said it was from Mr. Crowell, but I do not know; and that is because he had the most of his conversations with Mr. Crowell. I do not know about that.

Mr. GRAHAM. Was that telephone conversation after this oral conversation that you speak of?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. And while the claims were still pending?

Mr. BESSE. Yes, sir. I called Mr. Long because the Washington board, when I took up the matter with them, said they had no authority to make partial settlements; that is, partial settlements in the sense that they could pay a claim when the entire basis was not outlined. I told them of the existence of this letter and they asked me for a copy. I asked Mr. Long for the letter, and he said he looked for it but was unable to find it.

Mr. GRAHAM. From which one would assume that he may not have had such a letter?

Mr. BESSE. Well, I do not know about that.

Mr. GRAHAM. Well, that is hardly a fair question anyhow. Now, have you told us practically all you know about the connection of Mr. Long with those contracts, with those settlements?

Mr. BESSE. Yes. Well, I have not in one place given you some of Mr. Long's claims; that is, my statement has been somewhat disjointed and taken one at a time.

Mr. GRAHAM. What is the total amount of his claim?

Mr. BESSE. The total amount of his claim on the two contracts, his latest and revised claim and which is not submitted in detail, is as follows: The total claim under the act of March 2 is \$654,222.65, of which sum we paid Mr. Long on the settlement that we already had made for the raw materials that he provided up to the amount necessary for the contract was \$110,138.95, leaving a disputed balance, which Mr. Long is now making claim for, of \$544,083.70.

Mr. GRAHAM. This disputed balance consists of various items for special facilities and claims on raw materials, as you have outlined?

Mr. BESSE. Yes, sir; for change of specifications and one or two reservations which he makes. He mentions another contract which he did not receive, but which he expected to receive, and he also mentions an item of interest. But it is substantially covered by those divisions.

Mr. GRAHAM. He does not charge for a contract that he expected to receive and did not get, does he?

Mr. BESSE. Mr. Long mentions that because he thought possibly he might be able to claim under that contract for an added amount of raw materials, or facilities, or both.

Mr. GRAHAM. Did he actually make a claim for that?

Mr. BESSE. The claim that he submitted says nothing about that contract, although the letters he has written do mention that extra contract.

Mr. GRAHAM. Have you any such letters with you?

Mr. BESSE. I will have to look through this copy file.

Mr. GRAHAM. All right.

Mr. BESSE. I have a long letter from Mr. Long under date of May 5, 1919, in which he sets forth the circumstances of the different contracts. He ends by saying:

The only reason we have for making claim on the order of 2,000,000 knapsacks at 51½ cents—

That is on the contract he did not get—

is to get reimbursement on our investment on thread and needles, and also concerning its bearing on facilities.

I think Mr. Long in conversation with me was convinced that the possibility of claiming under that contract was not worth his following it up. He has made no mention of it in his latest papers.

Mr. GRAHAM. Do you know whether those claims are now pending here in the War Department, the claims that are under discussion?

Mr. BESSE. The claim that they have is a new claim, which consists simply of the regular form as provided in the act of March 2, 1919, but without supporting data. I think there is no supporting data.

Mr. GRAHAM. Those contracts were all informal?

Mr. BESSE. No, sir; both were formal contracts.

Mr. GRAHAM. They were both formal contracts?

Mr. BESSE. Yes, sir.

Mr. GRAHAM. Why has he proceeded under the act of March 2, 1919?

Mr. BESSE. I think because he does not know how else to go about it. He has been unable to find anyone who will approve his claim.

Mr. GRAHAM. I believe that is all I wish to ask. Mr. Jefferis, do you wish to ask any questions?

Mr. JEFFERIS. What do you mean by saying he has been unable to find anyone who will approve his claim?

Mr. BESSE. We have referred him to the War Claims Board—I mean the Chemical Warfare Service has. We have referred his claim with all papers submitted to us to that board, and they have adopted the same attitude that we were forced to adopt—that they could not approve these claims of Mr. Long's which I have mentioned, and which we did not concur with him in.

Mr. JEFFERIS. Why could not you approve them?

Mr. BESSE. Because I do not think they are fair claims.

Mr. JEFFERIS. For what reason?

Mr. BESSE. They do not come within the terms of the original contract, and they do not come within the terms of the supply circulars from the office of the Secretary of War outlining the basis on which contracts should be settled.

Mr. JEFFERIS. So they do not come within any of the regular channels provided by law and regulation as you understand them?

Mr. BESSE. That is true, with the possible exception of the claim on change in specifications, which is provided for in the original contract under certain conditions.

Mr. JEFFERIS. I believe that is all I wish to ask.

Mr. GRAHAM. Mr. Garrett, do you wish to ask any questions?

Mr. GARRETT. Col. Besse, were those contracts dealt with as formal or informal contracts in the settlement negotiated?

Mr. BESSE. Formal contracts.

Mr. GARRETT. Both contracts?

Mr. BESSE. Yes, sir.

Mr. GARRETT. There had been contracts executed?

Mr. BESSE. Yes, sir. The last contract was executed on October 1, 1918.

Mr. GARRETT. And that was for how many knapsacks?

Mr. BESSE. For 2,000,000 knapsacks.

Mr. GARRETT. The first contract was for what number?

Mr. BESSE. The first contract was for 1,000,000 knapsacks and was executed June 19, 1918.

Mr. GARRETT. What was the number of that contract?

Mr. BESSE. 1426.

Mr. GARRETT. And what was the number of the other contract?

Mr. BESSE. 1757.

Mr. GARRETT. In this letter from which you have quoted, the Long letter, and the last letter from which you quoted, dated May 5, 1919, I observe that he says:

Concerning our claim under contract 1757, on which there has been partial settlement, and which contract we understand has been declared informal.

He was in error about that, was he?

Mr. BESSE. That is a question I am not prepared to answer. The contract was dated October 1, 1918, in our office. It is approved by the director of the Chemical Warfare Service as of November 18, 1918, which is subsequent to the armistice.

Mr. GARRETT. That is subsequent to the armistice?

Mr. BESSE. Yes, sir. The approval in Washington is so dated.

Mr. GARRETT. Is it signed by Mr. Long?

Mr. BESSE. Yes, sir; it is signed by Mr. Long.

Mr. GARRETT. Now, he also continues in this letter:

And also on an order which was given to us verbally by Maj. Dickinson, on September 9, for 2,000,000 gas mask knapsacks, which order was not later confirmed in writing.

That refers to the last contract of 2,000,000, does it?

Mr. BESSE. No, sir; that refers to the contract I spoke of and which Mr. Long did not get.

Mr. GARRETT. The second contract, what is the date of that for 2,000,000 knapsacks?

Mr. BESSE. October 1, 1918.

Mr. GARRETT. That was drawn up on that date, was it?

Mr. BESSE. Yes, sir; drawn up on that date.

Mr. GARRETT. But the first contract appears to have been drawn after the armistice was signed.

Mr. BESSE. No, sir; the first one was drawn or executed June 19, 1918.

Mr. GARRETT. I thought you said November 18.

Mr. BESSE. No; I said the second contract was approved in Washington by the director of the Chemical Warfare Service—and all contracts that we make are subject to approval by him—it was approved by him November 18, although dated in our office October 1, and signed by Mr. Long at that time.

Mr. GARRETT. So that in settling you dealt with them as formal contracts?

Mr. BESSE. Yes, sir.

Mr. GARRETT. And Mr. Long's impression about their being declared informal, or as to either of them being declared informal, was a mistake; that is to say, your office never so declared them?

Mr. BESSE. Our office never declared them informal. But it would seem to me, technically speaking, the second contract is an informal contract, in that it had not received the necessary approvals and was not a complete instrument in that respect until after the armistice. That would make no difference, of course, in the terms of settlement. And by that I do not mean in the method of settlement, but in the basis of settlement.

Mr. GARRETT. You are sure you are correct about that?

Mr. BESSE. Well, I do not know which way that point has been decided, as to whether formal or informal.

Mr. GARRETT. Are you sure you are correct that it would make no difference in the terms of settlement?

Mr. BESSE. It would seem to me that the basis of the agreement is amply set forth in the contract, which had been signed by the contractor and myself, and that that contract would be the evidence supporting the agreement, and hence would be the basis on which the agreement would be settled. That is only my own opinion.

Mr. GARRETT. Do you understand that Maj. Dickinson did give Mr. Long a verbal order on the 9th?

Mr. BESSE. No, sir; he did not.

Mr. GARRETT. No material was ever bought on any such third contract or extra contract that you know of?

Mr. BESSE. No.

Mr. GARRETT. Now, as to the matter of profits on the contract—there was a claim, as I remember for some \$58,000, I believe you stated, on profits?

Mr. BESSE. \$52,714 is the last figure I have.

Mr. GARRETT. You read into the record the provision of the contract covering that?

Mr. BESSE. Yes.

Mr. GARRETT. And then did I understand you to state that by reason of the telephone conversation had between Maj. Dickinson and young Long, following the receipt of the wire from your office, that that provision of the contract touching profits to be paid in event the contract could be finished within 15 days was abrogated?

Mr. BESSE. There was no such provision in the contract. The contract provides for acceptance of material finished in 15 days, but it provides for no profit whatever except as there is a profit included in the final price of the articles completed and accepted.

Mr. GARRETT. Let me see that provision in the contract, please.

Mr. BESSE. Here it is, following the matter of termination.

Mr. GARRETT. Well, this provides:

The United States shall accept from the contractor—

And that is in event of termination of the contract.

all articles or services which have been completed in accordance with the terms of this agreement at the expiration of 15 days after the receipt of the aforementioned notice.

Mr. BESSE. That is right.

Mr. GARRETT. Under that Mr. Long would have the right to have gone on for 15 days with the work?

Mr. BESSE. Yes, sir.

Mr. GARRETT. And the Government would have been compelled to accept and pay profits on it?

Mr. BESSE. That is true.

Mr. GARRETT. But your opinion is that he lost all rights under that because he did not go on with it?

Mr. BESSE. Yes, sir.

Mr. GARRETT. That he simply stopped?

Mr. BESSE. Yes, sir.

Mr. GARRETT. I get your viewpoint on that. I was not clear at first.

Now, as to special facilities: Do you know just what special facilities Mr. Long did put in there at any time?

Mr. BESSE. What he actually installed?

Mr. GARRETT. I mean on this contract.

Mr. BESSE. For the particular performance of the contract?

Mr. GARRETT. Yes.

Mr. BESSE. No.

Mr. GARRETT. Well, do you know whether he put in for the second contract any additional special facilities other than he had to put in on the first contract?

Mr. BESSE. He claims that he did, but in his claim he charges a portion of that to the first contract and a portion of it to the second contract. In his claim, as I have it here, sworn to before a notary public, he takes what he terms and what he would term special facilities for production, lumber and electrical apparatus, and factory buildings and so forth, and storehouse, and charges one-third, except in one case where he charges one-fourth, for depreciation on those to the first contract and which is to collect for two-thirds or three-fourths on the basis of the second contract. Now, if the first contract had been all that Mr. Long had, it is obvious that he would not have collected any of this, because the contract had been finished and there had been no damages of any kind.

Mr. GARRETT. That is, the depreciation that you speak of when you speak of claims for depreciation?

Mr. BESSE. Claims on facilities always cover depreciation only. That is, they are assumed to have some value on termination of con-

tract, value to be determined by appraisal or other satisfactory means. We have not verified Mr. Long's figures on present values because we did not feel he had any claim at all.

Mr. GARRETT. You did not advance to the point where it was deemed necessary?

Mr. BESSE. No, sir.

Mr. GARRETT. I believe you say the larger part of the material was, in fact, furnished by the Government?

Mr. BESSE. Yes.

Mr. GARRETT. The material out of which the knapsacks were made?

Mr. BESSE. Practically the only thing that Mr. Long had furnished was the thread, gromets, washers, and rivets; that about covered it. Other portions of the material were furnished by our department.

Mr. GARRETT. Without any effort on his part?

Mr. BESSE. Yes, sir.

Mr. GARRETT. Just shipped in to him?

Mr. BESSE. Yes, sir; shipped in to him.

Mr. GARRETT. Was the material which was shipped in to him in its finished state? And by its finished state I mean was it ready for immediate use in his factory without his doing any more to it?

Mr. BESSE. I do not know that I understand you there. Of course the ducks were shipped in, but he had to cut it and mark the duck before he made it up into knapsacks. That was one of the operations necessary in making knapsacks.

Mr. GARRETT. That was cut by a machine, was it?

Mr. BESSE. Yes, sir; cut by a machine.

Mr. GARRETT. Did it require a special machine for that work?

Mr. BESSE. It required a particular machine, but not a special machine. It was a regular commercial machine.

Mr. GARRETT. It required a particular machine. I meant in other words that I supposed he did not have one in his own factory as it originally stood that would have cut the duck, is that it?

Mr. BESSE. I imagine that he did, but do not know.

Mr. GARRETT. You say this claim is pending where?

Mr. BESSE. In the hands of the Claims Board, Chemical Warfare Service, Washington. Mr. Long is apparently preparing further figures to detail the claim.

Mr. GARRETT. Your board made an adverse finding and reported to the board here?

Mr. BESSE. On these particular items?

Mr. GARRETT. Yes; I mean on these particular items.

Mr. BESSE. Yes.

Mr. GARRETT. I think that is all I wish to ask.

Mr. GRAHAM. I think that is all, Col. Besse.

(And the witness left the stand.)

Mr. GRAHAM. We will now take Maj. Brown.

TESTIMONY OF MAJ. T. E. BROWN, JR., CHEMICAL WARFARE SERVICE, WASHINGTON, D. C.

The witness was duly sworn by Mr. Graham.

Mr. GRAHAM. Maj. Brown, what is your full name?

Maj. BROWN. T. E. Brown, jr.

Mr. GRAHAM. You are a major in the Chemical Warfare branch of the service?

Maj. BROWN. Yes, sir.

Mr. GRAHAM. How long have you been in the Army?

Maj. BROWN. Since last October 5.

Mr. GRAHAM. 1918?

Maj. BROWN. Yes, sir.

Mr. GRAHAM. And since the armistice what has been your function in the Army; what have you been doing?

Maj. BROWN. The most of the time I have been secretary—since last February at least—of the board of contract review, Chemical Warfare Service, and of the claims board, Chemical Warfare Service.

Mr. GRAHAM. You just happened to be here this morning?

Maj. BROWN. I came with Col. Besse. I furnished him some of his papers.

Mr. GRAHAM. Have you had anything to do with the two claims that Mr. Besse has spoken about; have they come to your board yet?

Maj. BROWN. Yes, sir. We have had filed with us a copy of the claim, which I have here.

Mr. GRAHAM. And as I understand it from Mr. Besse, these claims were unfavorably acted upon by the district chemical warfare board?

Maj. BROWN. So I understand.

Mr. GRAHAM. What is the nature of the claims as they are filed with you, Maj. Brown?

Maj. BROWN. No specifications of any sort are furnished. The claimant states he has a claim arising out of a contract to manufacture 2,000,000 box respirator knapsacks at \$0.5133 each, amounting to an aggregate price of \$1,026,600; also out of a contract for the manufacture of 2,000,000 box respirator knapsacks at \$0.45 each, amounting to an aggregate price of \$900,000. He then goes on to state:

That the claimant arranged for fulfillment of the above-mentioned agreement and made expenditures, incurred obligations, and liabilities, provided services and facilities, and furnished raw materials.

He goes on further to state:

That the claimant now presents, as provided in the act to provide relief of March 2, 1919, a claim arising out of the above-mentioned agreements of \$654,222.65, of which sum \$110,138.95 has been paid, leaving a balance of \$544,083.70.

And no other specifications are furnished.

Mr. GRAHAM. Who signed that claim?

Maj. BROWN. R. H. Long Co., by Richard F. Long, president.

Mr. GRAHAM. Did Mr. Long swear to it?

Maj. BROWN. He swore to it before a notary public in Massachusetts.

Mr. GRAHAM. I think it might be well to let the claim go into the record at this place.

Maj. BROWN. All right. This claim was filed in the Chemical Warfare Service, Bureau of Claims Board office, on the 23d of June, 1919.

Mr. GARRETT. This claim is still in dispute?

Maj. BROWN. So far as it has not been settled; yes. We have no details.

Mr. GARRETT. Of course, I do not object to it going into the record if you think it desirable that it should go in, but it is still pending. It is a matter for settlement, and just what our function has to do with it I am not entirely clear.

Mr. GRAHAM. My only idea in putting it into the record is to lay the foundation for some questions as to conversations with Mr. Long. I do not think we ought to do anything to prejudice the board in any way.

Mr. GARRETT. No. I do not want to gum the cards down there in any of these settlements.

(The claim referred to is here printed in full in the record as follows:)

Received contract and patents section, C. W. S., 6-23-1919. Lisle A. Smith, Lieutenant, C. W. S.

State of claim for relief under act of Congress approved March 2, 1919, "An act to provide relief in cases of contracts connected with the prosecution of the war, and for other purposes."

To the SECRETARY OF WAR.

SIR: The claimant, name, R. H. Long Co.; place of business, Framingham, Mass.; post office address, Framingham, Mass.; represents:

1. That during the emergency arising from the declaration of war with the German Empire, and prior to November 12, 1918, and on or about the 9th day of September, 1918, the claimant entered into an agreement with an officer or agent acting under the authority, direction, or instruction of the Secretary of War (President of the United States) for the manufacture of 2,000,000 box respirator knapsacks at \$0.5133 each, amounting to an aggregate price of \$1,026,600.

And also on or about the 26th day of September, 1918, the claimant entered into an additional agreement with the above-mentioned officer or agent acting under the authority, direction, or instruction of the Secretary of War (President of the United States) for the manufacture of 2,000,000 box respirator knapsacks at \$0.45 each, amounting to an aggregate price of \$900,000.

2. That the claimant arranged for the fulfillment of the above-mentioned agreements and made expenditures, incurred obligations and liabilities, provided services and facilities, and furnished raw materials.

3. That the claimant now presents as provided in the act to provide relief of March 2, 1919, a claim arising out of the above-mentioned agreements, of \$854,222.65, of which sum \$110,138.95 has been paid, leaving a balance of \$544,083.70.

Respectfully submitted on June 23, 1919.

R. H. LONG Co.
By RICHARD F. LONG,
President.

STATE OF MASSACHUSETTS.

County of Middlesex.

Sworn and subscribed before me this 21st day of June, 1919.

[SEAL.]

RALPH H. PARKER,
Notary Public.

Received by War Claims Board June 23, 1919.

-----Member.

Mr. GRAHAM. That claim has not been paid yet?

Maj. BROWN. No, sir.

Mr. GRAHAM. During the pendency of this claim have you had any conversations with Mr. Long about the claim?

Maj. BROWN. No particular conversations directly about the claim, but I had a telephone conversation following the letter.

Mr. GRAHAM. Will you tell us what it was?

Maj. BROWN. Inasmuch as I did not expect to be called I have no letters here on the matter, but sometime late in August or early in September, according to my best recollection, I received a letter from Mr. Long stating in a general way that he had been unable to obtain from the Gas Defense Division details on which to file his specifications of these claims, and asked me if I would be able to see him in Washington next Monday or Tuesday afternoon. I might interject here that our claims board does not negotiate settlements, but passes upon what other divisions do, on their reports and records; that is our practice.

Mr. GRAHAM. That is, you act as a board of review?

Maj. BROWN. Yes, sir; we act as a board of review largely. I received that letter on Saturday morning and immediately telegraphed Mr. Long in substance as follows: Answering your letter of such and such a date, it is stated that this board does not desire to talk with claimants before their claims are properly filed. When your claim is properly filed it will be considered, and if a conversation with you is desired you will be notified. That was the substance of my telegram. The next Monday afternoon Mr. Long called me on the telephone and stated he was in Washington. He asked if he could come down and see me. I said "Have you not had my telegram?" He said "No." I said "I will read you a copy of it," which I did. He then asked me if I intended to stand on my refusal to see him. I stated that I did not refuse to see him, but that my telegram contained a statement of the position of the Chemical Warfare Service Claims Board.

There was no further conversation, as I recall, at that time. A few days later I received a letter from him. That letter began by saying he had now received my telegram, and continued with the statement that when the proper time came he would report to the proper authorities in Washington "the incompetency, inefficiency, and so forth, of yourself," is my recollection, and "of your office, together with the incompetency and inefficiency of the officers of the Gas Defense Division, together with a statement of all the insults which have been heaped upon me." Then he proceeded, after making that statement, to demand that I now furnish him certain specified information; information that it seemed to me at that time that he must have himself already. That was his letter.

Mr. GRAHAM. It was signed by Mr. Long?

Maj. BROWN. Yes, sir.

Mr. GRAHAM. Did you answer it in any way?

Maj. BROWN. Yes, sir. I wrote to him that in response to his request for information I had to advise him that I had requested the Gas Defense Division to furnish it to me and that the matter forwarded to me would be discussed with higher authorities. I think that is all I said. I did get the information, and referred it to the War Department Claims Board as to whether I should furnish it to

Mr. Long or not, and under their instructions I later sent it to him, which was not more than 10 days ago.

Mr. GRAHAM. Did that close the incident so far as you were concerned?

Maj. BROWN. That closed the incident so far as I was concerned.

Mr. GRAHAM. And that claim is still pending and undisposed of?

Maj. BROWN. Yes, sir.

Mr. GRAHAM. And he has had no more conversations with you about the matter since?

Maj. BROWN. No, sir; I have never had any conversations that I recall about it, as I explained. And I have never seen him but once, and that was last spring.

Mr. JEFFERIS. Do I understand that this claim as filed here with your board on June 23, 1919, was not properly filed before your board?

Maj. BROWN. It is not properly stated.

Mr. JEFFERIS. I know, but was it filed there as an original paper, or did it come from some other board?

Maj. BROWN. It was filed there as an original paper. I am informed that it was filed by Mr. Long's son, but I did not see him.

Mr. JEFFERIS. Should it have been filed there as an original paper?

Maj. BROWN. It is entirely proper under the rules of the War Department to be filed there. Their circular No. 17 states they may be filed with appeal boards, and our board is an appeal board.

Mr. GRAHAM. Instead of starting with the district board?

Maj. BROWN. Yes, sir; so far as our board is concerned it is entirely proper, in my judgment, that it should be filed there. We would refer it to the district board or to the divisional board, as we sometimes call it, for a report as soon as we got the details of it.

Mr. JEFFERIS. In other words, there should be some board prior to yours to pass upon that claim?

Maj. BROWN. Yes; to pass on that claim. We have no knowledge of the facts except as we get them from other people.

Mr. JEFFERIS. What board would really be expected to pass upon the claim in its first instance?

Maj. BROWN. We would have referred it to the Gas Defense officers.

Mr. JEFFERIS. Located where?

Maj. BROWN. They are now located at Edgewood Arsenal. They were located in New York at that time.

Mr. JEFFERIS. And after they had acted upon it, it would come to your board for review?

Maj. BROWN. Yes, sir.

Mr. JEFFERIS. What authority directed you to give Mr. Long this information he wrote for?

Maj. BROWN. I referred the matter to the standing committee of the War Department Claims Board, of which at that time Lieut. Col. Frazier was the chairman, and received a reply saying they thought I ought to furnish the information and requested me to do so.

Mr. JEFFERIS. What information was it?

Maj. BROWN. It was a request for a statement of all shipments of material—

Mr. JEFFERIS (interposing). Of what?

Maj. BROWN. All shipments of material which had been furnished by the Government to him on any of those contracts. Here is the letter:

For the purpose of getting the information necessary in presenting our claim—

Mr. JEFFERIS (interposing). What was the date of this?

Maj. BROWN. I do not know the date. I am reading this from a letter I wrote to the gas defense people. I wrote this letter myself quoting from his letter.

Mr. JEFFERIS. When did you write this letter?

Maj. BROWN. Oh, I wrote this letter August 26 and am quoting from a letter dated August 19, received from Mr. Long.

Mr. JEFFERIS. Is this letter from Mr. Long?

Maj. BROWN. This is a letter from me to the commanding officer of the Edgewood Arsenal, under whom the gas defense officers now are.

Mr. JEFFERIS. Maybe you just better put the letter in.

Maj. BROWN. This is about another matter.

Mr. JEFFERIS. All right; read it.

Maj. BROWN. On August 26, 1919, I wrote a letter to the commanding officer of the Edgewood Arsenal, who now has command of the officers formerly of the gas defense division, in which I made the following statement:

Following is quotation from a letter dated August 18, 1919, received from the R. H. Long Co.: "For the purpose of getting information necessary in presenting our claim we ask you now as we have asked the New York office and received no satisfactory reply, to please send us information showing the materials ordered by the Gas Defense Division to be shipped to the R. H. Long Co. at Framlingham after August 1, 1918, to be used in carrying out our contract, given to the R. H. Long Co. Please give the date of your order as well as the department from which shipments were to be made to us, and the order on which the material was to be supplied.

That quotation was from the letter to which I have already referred.

Mr. JEFFERIS. Then pursuant to that, as I understand it, the information was given to Mr. Long?

Maj. BROWN. The information was furnished to him as furnished to me from the gas defense officers. I referred it to the War Department claims board standing committee and they asked me to furnish it to Mr. Long and it has been furnished.

Mr. JEFFERIS. I believe that is all I wish to ask.

Mr. GRAHAM. Mr. Garrett, do you wish to ask any questions?

Mr. GARRETT. Maj. Brown, you stated a few moments ago, I believe, that you thought Mr. Long should have had this information in his possession?

Maj. BROWN. Yes, sir.

Mr. GARRETT. Of course what he was asking for here was, I presume, what was shown by the records of the Government as to what had been shipped to him.

Maj. BROWN. I assumed that he as a manufacturer would know what goods he had received from the Government to carry out his contracts, and where he had received them and where they had come from.

Mr. GARRETT. To be sure that is to be supposed, that he would keep a record of his own, but what he was asking for was the Government record; I should suppose with the idea to check them with his own. Was there anything improper in that request?

Maj. BROWN. In my best judgment, yes; or at least there was something improper in our supplying him with it. I have in mind a regulation of the War Department that forbids officers furnishing to a claimant or any individual or corporation any information from the files of the War Department on which they might found a suit against the Government. That was at least what I was actuated by and was the reason why I asked for advice from the higher board.

Mr. GARRETT. Of course you had not gone far enough into the claim to know whether the information as furnished Mr. Long by the department tallied with his own records?

Maj. BROWN. I know nothing about that.

Mr. GARRETT. The claim has not reached that stage so far as you have investigated about it?

Maj. BROWN. No, sir.

Mr. GARRETT. I presume in the settlement of claims similar to this that these records of the Government are consulted by the boards.

Maj. BROWN. I do not know about that in the other bureaus, but my best recollection is that this is the first time our office has ever been asked for such information.

Mr. GARRETT. You perhaps did not catch my question: In settling claims similar to this do you consult the figures?

Maj. BROWN. The divisional boards consult the records and furnish us with an abstract of them.

Mr. GARRETT. I believe that is all I wish to ask.

Mr. GRAHAM. Maj. Brown, I am somewhat interested in your statement about the regulation of the War Department: What is that, a part of the Military Code?

Maj. BROWN. I did not look it up when I asked for this information, but simply stated to the board that that was my recollection, and our commanding officer, who was the chairman of our board, stated that it was his recollection. But there is some such regulation and what the number of it is I could not state off-hand. I had in mind that the object of this was more or less a fishing expedition.

Mr. GRAHAM. I think, perhaps that the same regulation you speak of is the one quoted by the Adjutant General when information is asked by Members of Congress upon which a pension claim may be based. I have run against it several times and have no doubt Mr. Garrett has. I think that is all.

Mr. JEFFERIS. What do you mean by a "fishing expedition" on the part of Mr. Long?

Maj. BROWN. Well, that thought in my mind was based on the assumption that he already had the information and that he was looking possibly to see if there were not some facts we might furnish him to bolster up his claim.

Mr. JEFFERIS. In other words, you felt that if he could get all the facts the Government had he might make it stronger than he would if he did not have that information?

Maj. BROWN. That was only my thought.

Mr. GARRETT. I am not quite sure, Mr. Chairman, that in the state this claim is in, taken together with the fact that it is a pending claim and has not been settled in any way that we ought to put into our record the surmises of this gentleman, however accurately they may be based.

Maj. BROWN. I frankly say it is my surmise.

Mr. GARRETT. It is a surmise reflecting upon Mr. Long, who is not here to explain, if he has any explanation. I do not object, of course, to any official records which it may be deemed wise by the committee to have with reference to claims which have been dealt with. But to put in matters affecting a claim that is pending, and then let go into our records the surmises of the witness, I think hardly proper.

Maj. BROWN. I would like permission to withdraw my surmise.

Mr. GRAHAM. I do not know that such surmises should go into the evidence, but when we come to read it over after it has been transcribed we will pass upon the question of striking it out.

Mr. JEFFERIS. At least, Maj. Brown, this was a very unusual request?

Maj. BROWN. As far as my experience in our office is concerned, my recollection is we had never had any such request before.

Mr. JEFFERIS. According to your knowledge of the regulations of the War Department, it was contrary to the same to give Mr. Long the information that he requested?

Maj. BROWN. Well, that was simply my own opinion. I did not carefully examine the regulations at the time, but referred the matter to higher authority.

Mr. JEFFERIS. Have you any acquaintance with Mr. Long?

Maj. BROWN. I have met him but once. He was in my office once last spring for a few minutes.

Mr. JEFFERIS. When he wrote you this letter about inefficiency, incompetency, and so forth, and how he had been treated, was there any foundation for his making any such charges against you or your board as far as you know?

Maj. BROWN. I have detailed the whole of my dealings with Mr. Long in respect to that matter. His letter was based entirely upon my conversation and telegram. He came into my office at one time for a few minutes but I do not recall that we had any conversation of any sort at all.

Mr. JEFFERIS. I think that is all.

Mr. BESSE. Mr. Chairman, may I make a statement to correct an impression that I think has been made?

Mr. GRAHAM. Yes.

Mr. BESSE. I stated that Mr. Long, to my knowledge, had made no further claim under this contract that he did not receive. I find that this statement of claim, which I did not see until this morning, and which Mr. Brown has had and has been ordered to be made a part of the record, deals with that contract and his last contract. The contracts specified are not the two contracts I signed with Mr. Long. It is the second contract I signed with Mr. Long, and the one that he did not get, that you questioned me about.

Mr. JEFFERIS. That he did not get?

Mr. BESSE. That was a mistaken impression. I thought Mr. Long had dropped that contract, but I find he has not dropped it but is

still claiming for it and I thought it important for me to make this statement.

(And the witness leaves the stand.)

TESTIMONY OF MR. D. J. BENNETT—Resumed.

Mr. GRAHAM. Mr. Bennett wishes to resume the stand to make a correction in his testimony.

Mr. BENNETT. I understand there are some corrections you desire to make in your testimony of yesterday, is that right?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Proceed now to do so.

Mr. BENNETT. One item that was not quite clear in regard to the contracts on which nothing was done, and I was testifying from a sheet or compilation of these contracts and the report of the contractor as entered on those sheets by me simply showed no deliveries made. I would wish it to be construed that in some instances there had not been some raw materials cut to work on those contracts. I think that makes that point clear.

Another correction I wish to make is this: In some haste I did some figuring on contract EQ-4373—and I have not the other number here but there is the number that follows. There was a "P" number in front of this contract, which was for the Chauchat contract. I testified in regard to the quantity of leather charged against this contract by Mr. Long as having been 132,935 square feet, and that the actual amount of leather that would be required to make the reinforcements as specified by the blue prints would be 44,458 square feet. Mr. Graham asked me if they made an allowance of 50 per cent for wastage what the deductions would be and I made a mistake in figuring. The correct figures would be that there would be 66,248 feet charged up on this contract more than would be needed to complete the contract by allowing 50 per cent wastage on the hides that were cut for this material.

There seems to be some misunderstanding in regard to my making myself clear on contract P-10,951-5,741-EQ, and I wish to refer again to the amount of leather that is charged up on this contract as being 1,417 pounds of russet bridle leather at 90 cents a pound, which the contractor retained and gets for so doing an allowance of \$425.10. He also charges up 3,500 feet of latigo leather (Robertson) at 53 cents a pound and 5,392 pounds of russet bridle leather (Alexander Brothers) at 97 cents a pound, making a total of \$7,085.24. This leather the Government takes.

I have now a letter from Maj. Thomas, in charge of the office which supplies this contract, in which he gives the amount of leather that would have been furnished to the contractor on this contract had it not been canceled and the cancellation accepted by Mr. Long on the 16th day of August, 1918. The quantity of 7 and 8 ounce russet strap leather would be 162,500 square feet; of latigo leather 1,250 square feet. I want to mention in connection with that that Mr. Long has charged back to the Government latigo leather 3,500 square feet, whereas if the Government had shipped him all the material required to complete that contract it would only have taken 1,250 square feet.

Mr. GRAHAM. How much difference is there in the other leather?

Mr. BENNETT. Two thousand three hundred and fifty square feet of latigo leather charged more than—

Mr. GRAHAM (interposing). Yes; but how much of the other? You say there are 192,000 square feet, approximately, that he charges against the Government there.

Mr. BENNETT. But not on this contract. That was a correction I made of the Chauchat magazine, and that I had thought all completed.

Mr. GRAHAM. So that the only amount of leather in this that he has charged for more than he ought to have charged is the latigo leather?

Mr. BENNETT. Yes, sir; 2,350 square feet. But this contract was canceled.

Mr. GRAHAM. Canceled when?

Mr. BENNETT. August 16, 1918.

Mr. GRAHAM. Why was it canceled then?

Mr. BENNETT. Because, as I stated on yesterday, the Government found no further use for this bridle and instructed the buyer to cancel his verbal agreement with Mr. Long, which he did on the 13th day of August, and Mr. Long accepted his letter, which I think has been introduced in evidence here.

Mr. GRAHAM. It is not one of the things that the Government afterwards ordered more of?

Mr. BENNETT. No, sir.

Mr. GRAHAM. They found that they did not need this particular bridle and stopped their making them?

Mr. BENNETT. Yes, sir. This was canceled on the 13th day of August, 1918, and the cancellation was accepted by Mr. Long, as per his letter in the record, of date the 16th day of August.

Mr. GRAHAM. I think you better offer in the record Maj. Thomas's letter. Is it very long?

Mr. BENNETT. It is not very long. Shall I read the letter on which I asked this information?

Mr. GRAHAM. If you wish to do so.

Mr. BENNETT. Well, I asked Maj. Thomas to give me a list of material which the Government had shipped to Mr. Long against this contract.

Mr. GRAHAM. And that is what the letter is?

Mr. BENNETT. Yes, sir; the data following that request.

Mr. GRAHAM. The letter may go in.

Mr. BENNETT. Do you want my whole letter?

Mr. GRAHAM. No; Maj. Thomas's letter.

Mr. BENNETT. All right. Then I also asked him the amount of leather which would have been shipped had the contract not been canceled, and I have that data here.

Mr. GRAHAM. Let that go in with the other.

Mr. BENNETT. Here is Maj. Thomas's reply:

(The two papers referred to are here printed in full in the record, as follows:)

OCTOBER 15, 1919.

Memorandum.

From: Leather-rubber branch, room 1532.

To: Mr. D. J. Bennett, room 2641.

1. In compliance with your request of October 14, there is attached hereto list showing material required on proposed contract P10951-5741 Eq., R. H. Long Co., which material was to be furnished by the Government.

2. There is also attached hereto list showing the actual material which was shipped this contractor on account of this order, giving the date shipped and the date received.

3. Referring to the third paragraph of this memorandum, this office has no record of the date on which this material was taken over by the Government and placed in storage.

WM. C. THOMAS,
Major, Quartermaster Corps,
Chief Leather-Rubber Branch.

It is found in the records of the C. & E. Division that the foregoing is a true copy of letter sent to the addressee.

W. C. THOMAS, Major, W. M. C.

GOVERNMENT MATERIAL REQUIRED ON P10951-5741 EQ.

162,500 square feet $\frac{1}{4}$ -ounce russet strap leather.

1,250 square feet latigo leather.

465 pounds 4-cord linen thread.

30 pounds No. 3 linen shoe thread.

50,000 curb bits and chain, model 1909.

50,000 snaffle bits, model 1909.

50,000 $\frac{1}{2}$ -inch center bar buckles.

50,000 $\frac{1}{2}$ -inch wire buckles.

100,000 $\frac{1}{2}$ -inch snap hooks.

50,000 stud hooks.

300,000 Conway loops.

50,000 brow-band ornaments.

100,000 cheek slides.

It is found in the records of the C. & E. Division that the foregoing is a true copy of list sent to the addressee.

W. C. THOMAS, Major, W. M. C.

Mr. GRAHAM. Is there any other explanation you want to make?

Mr. BENNETT. Well, I want to be made clear on this contract that Mr. Long had two other contracts, one of a similar nature for artillery bridles that was given a long time before this verbal agreement was made, and another one given some four months before and on which he had completed quite a lot of material which is identically the same as the material which he has grabbed up and thrown against this contract.

Mr. GRAHAM. Well, you testified on that yesterday.

Mr. BENNETT. I think I did, but wanted to be made clear on it.

Mr. GRAHAM. In other words, the point you are making is that in your judgment he was charging leather as against this contract that had been purchased on a former contract, and for the same material?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. Well, that may be true; but there is nothing in the records that show that conclusively, is there?

Mr. BENNETT. No, sir. The only thing in the records is something that has not gone into your hearing and that you asked to go in, which is a copy of this memorandum sent to Mr. Long, in which is stated distinctly the amount of material that the Government was to furnish, and that they were not to furnish material for this bridle; that Mr. Long was not to furnish the material. He seems to switch in this charge the leather against that, notwithstanding the Government was to furnish it, and the Government never did ship any leather on this contract.

Mr. GRAHAM. You say the Government memorandum as a part of the purchase order specified the Government was to furnish all leather?

Mr. BENNETT. Yes, sir.

Mr. GRAHAM. All right.

Mr. BENNETT. You asked me to put that in the record, but I do not think they put it in. He specified the price of the leather and the kind of leather to be used in the bridles, and that the Government is to ship it to Mr. Long.

Mr. GRAHAM. But in this particular case evidently they did not do so.

Mr. BENNETT. The hide section told me that they did not ship any leather, and give the amount that would have been shipped if it had not been canceled.

Mr. GRAHAM. And he claims that he bought it from someone else?

Mr. BENNETT. Yes, sir; he claims to have bought the leather against this contract when he had two other contracts for the same thing uncompleted; one was canceled, unfilled, without any deliveries, and the other one way behind on deliveries.

Mr. GRAHAM. The memorandum is not a very lengthy paper, is it?

Mr. BENNETT. No, sir.

Mr. GRAHAM. Let it go into the record.

Mr. BENNETT. All right; here it is.

(The two papers referred to are here printed in full in the record, as follows:)

P455.8/1651. Procurement Division. Date, 6/25/18.

Requisition for ——— contract.

Classification: Eq. 2162, War-Ord. P10951-5741Eq. Date, June 28, 1918.

From: Section PE. Negotiator, Capt. J. H. Harpham. Is application for priority cert. desired, no. Is approval of engineering bureau desired, no.

Project program: None. Schedule: None. Item: None.

PR. 5890. PWO. 5675-58900. For Supply Division account, yes.

To be inspected by: Inspection Division.

Allotment and appropriations: A deficit of \$79,375 under O. S. & S.

Point of manufacture: Framingham, Mass.

Contractor: R. H. Long.

Address: Framingham, Mass.

Mail order to above individual, partnership, or corporation.

Material: Article, component, operation, etc. Quantity, 50,000.

Field Artillery bridle, model 1914.

Price: \$312,500 f. o. b.

Price basis: \$6.25, Framingham, Mass.

Allotment is requested for \$79,375. The balance of the cost is cared for in material furnished by the Government.

Use: For issue.

For delivery to: Instructions to follow.

Specified deliveries: August, 10,000; September, 10,000; October, 10,000; November, 10,000; December, 10,000. Completed by January 1, 1919.

Specifications: As per inquiry for questions PEE 9.

Drawings: 20-IA-16 Rev. 2/25/18; 20-IA-8, 2/23/18; 20-IA-14, 4/20/18; 20-0-2 Rev. 4/20/18; 20-0-13, 4/20/18; 20-0-25, 9/23/16; 20-0-24, 9/23/18; 20-0-3, 5/25/18.

Supporting papers: Their proposal of 6/20/18, P455.8/1505.

Terms and conditions: For material listed below or in attached sheet, required by the manufacturer of the articles contracted for will be furnished the contractor by the United States at prices stated f. o. b. contractor's city, contractor to pay all switching and cartage charges.

Leather: $\frac{1}{4}$ -ounce russet strap leather sides, per square foot, A, \$0.57; B, \$0.55; EB or C, \$0.53. Seven-eighths-ounce russet strap leather backs, per square foot, A, \$0.81; B, \$0.76; EB or C, \$0.74.

Hardware, per 100 bridles:

- 100 stud hooks, bronze finish, \$0.87.
- 200 .625 snap hooks, bronze finish, \$7.36.
- 100 .625 wire buckles, bronze finish, \$1.
- 100 .625 center bar buckles, bronze finish, \$2.30.
- 200 .000 style 1 brow-band ornaments, bronze finish, \$18.
- 200 .875 cheek slides, rawhide and leather, bronze finish, \$6.
- 600 .775 Conway loops, bronze finish, \$15.06.
- 100 curved bit, model 1909.
- 100 snaffle bits, model 1909, \$34.
- 100 bit chains, model 1912, \$115.

Thread: Linen lock-stitch machine thread, gray or natural color, \$2.05;
No. 3 HB or natural color shoe thread, \$1.75.

H. H. LEHMAN,

Major, Ordnance, National Army.

J. H. HARPHMAN,

Captain, Ordnance, National Army.

A deduction of 75 per cent of the payment falling due on each accepted delivery is to be made by the United States to cover the value of this material.

(Signed) _____

Mr. GRAHAM. Was it a part of the contract with Mr. Long?

Mr. BENNETT. They are the original papers prepared after the verbal agreement with Mr. Long, setting forth the amount of the award that would be sent to him later, and the specifications of the bridle and the amount of material that the Government was to furnish to him, and the price. So that he was justified in making the bid at a certain figure, because the Government furnished him the material at a certain figure, thus protecting him against any rise or fall in the market.

Mr. GRAHAM. Is there anything further you want to correct or do to your testimony given on yesterday?

Mr. BENNETT. I would like to add if you will permit me my opinion on these settlements.

Mr. GRAHAM. No; I do not think that proper.

Mr. BENNETT. All right.

Mr. GARRETT. Mr. Bennett, I wish you would take that contract P 10951-5741 EQ; that is for 50,000 bridles, isn't it?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. What kind of bridle is that?

Mr. BENNETT. That is a field artillery bridle.

Mr. GARRETT. Are there any other contracts for the same thing in the records?

Mr. BENNETT. I have referred to two others.

Mr. GARRETT. For Field Artillery bridles?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. You are quite sure of that, are you?

Mr. BENNETT. I think so. One is for a wheel bridle, and the other is for the lead bridle. I think the larger one is identically the same as this. I can verify it if you want me to look up the contracts and check them.

Mr. GARRETT. You are sure they are for the same sort of bridle?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. The same kind of leather, the same weight of leather, and so on?

Mr. BENNETT. Well, I have not looked up the blue prints and specifications, but I assume they are. There are two sets of this harness.

and they are the wheel harness and the lead harness. I would assume that they bought the same weight of leather for each bridle. I can not be positively sure of that as to the specifications.

Mr. GARRETT. How much russet leather do you say was charged to the Government?

Mr. BENNETT. In the first instance, 1,417 pounds (with Beardmore) at 90 cents a pound, which the contractor retained and the Government allowed him \$425.10 for as damages. And the other item was 3,500 feet of latigo leather (with Robertson) at 53 cents per square foot, and 5,392 pounds of russet bridle leather (with Alexander Bros.) at 97 cents per pound.

Mr. GARRETT. And the Government took back how much of that?

Mr. BENNETT. The Government took back the last two items, or the value of \$7,085.24.

Mr. GARRETT. That item was charged to the Government at 97 cents a pound?

Mr. BENNETT. Yes, sir.

Mr. GARRETT. Do you know what has been done with that leather by the Government.

Mr. BENNETT. No, sir.

Mr. GARRETT. You do not know whether the Government has sold it or not?

Mr. BENNETT. No, sir; I do not.

Mr. GARRETT. Did not you figure on that contract the number of square feet that would be required to fill the contract?

Mr. BENNETT. On this contract for bridles?

Mr. GARRETT. Yes, sir.

Mr. BENNETT. No, sir. Perhaps I might say that I figured out the number of square feet of latigo leather used if they used a latigo thong on the bit. The blue print calls for a rawhide, but I understand they used latigo. I was informed by the man of the purchase section, Maj. Thomas, that latigo leather was not used in these bridles unless it would be for the thongs.

Mr. GARRETT. That goes under the bridle bit?

Mr. BENNETT. Yes, sir. I figured it out on that basis, I think, in my testimony on yesterday.

Mr. GARRETT. That is all.

Mr. GRAHAM. Inasmuch as the committee has been very continuously at work and has a number of matters to consider in executive session, there will be no further hearings until Monday.

(And at 1.20 o'clock p. m. the committee adjourned until Monday, October 27, 1919.)

SUBCOMMITTEE No. 6 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Monday, October 27, 1919.

The subcommittee met at 11 o'clock a. m. pursuant to adjournment on Saturday, Hon. William J. Graham (chairman), presiding.

Also present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Mr. GRAHAM. The committee this morning will hear Maj. Dickinson.

STATEMENT OF MR. A. C. DICKINSON, LUNENBERG, MASS.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Where do you live, Maj. Dickinson?

Mr. DICKINSON. I live at Lunenburg, Mass.

Mr. GRAHAM. Have you recently been in the military service of the United States?

Mr. DICKINSON. I was discharged February 18, 1919.

Mr. GRAHAM. How long were you in the Army?

Mr. DICKINSON. I was commissioned in August, 1917, and discharged February 18, 1919.

Mr. GRAHAM. What arm of the service were you in?

Mr. DICKINSON. When I was first commissioned it was in the Sanitary Corps of the Medical Corps, which was subsequently changed to the Chemical Warfare Service.

Mr. GRAHAM. As an officer of such service, did you have occasion at any time to have any work in connection with the Boston district, Ordnance Department, or Chemical Warfare Board?

Mr. DICKINSON. The Boston district of ordnance?

Mr. GRAHAM. Boston Chemical Warfare.

Mr. DICKINSON. No, sir; not with the Boston office.

Mr. GRAHAM. Where was your work?

Mr. DICKINSON. I was stationed in Washington until July 19, I think it was, when the main office was moved to New York, that is, July 19, 1918. The whole office was moved to New York then.

Mr. GRAHAM. July, 1918?

Mr. DICKINSON. Yes, sir.

Mr. GRAHAM. Since the signing of the armistice, have you had anything to do with the settlement of war claims?

Mr. DICKINSON. Yes, sir.

Mr. GRAHAM. What have you had to do with them?

Mr. DICKINSON. Well, at the signing of the armistice all contracts of the Chemical Warfare Service were terminated by the contracting officer. I say "all contracts"—I think all contracts were terminated—and the organization was reorganized into different departments for the purpose of settling claims, and I was placed in charge of a contract, that is, a contract negotiated, and had charge of the negotiations of all the contracts and had men working under me doing other detail work.

Mr. GRAHAM. Were you immediately under the supervision of Col. Besse?

Mr. DICKINSON. I was.

Mr. GRAHAM. Did you have anything to do with the settlement of the claims of R. H. Long & Co.?

Mr. DICKINSON. I did.

Mr. GRAHAM. Do you remember two particular claims having to do with the making of knapsacks?

Mr. DICKINSON. I do.

Mr. GRAHAM. Do you remember in a general way, Major, when those claims were filed—about when they were filed?

Mr. DICKINSON. It was in January, I think, that statements were filed, but they were not filed, as I understand it, in accordance with the requests from our office; that is, there was miscellaneous information regarding settlements filed, but I do not think that it was in the form that it was necessary to have it.

Mr. GRAHAM. Did you during that period, and before the necessary forms were filed, have any conversations with Mr. R. H. Long about these particular claims?

Mr. DICKINSON. I had many such conversations.

Mr. GRAHAM. Do you know whether he was advised about the proper method of filing his claims or not, how they should be filed?

Mr. DICKINSON. I think without any question he was. I do not remember the specific notifications which were sent to him, but he was notified in the same manner in which all the contractors were notified of their rights.

Mr. GRAHAM. Well, do you know why these claims were not in proper form; did you find out in any way?

Mr. DICKINSON. Well, to the best of my knowledge the principal reason why they were not put in the form in which we requested was because the contractor wished to make certain claims which we, according to a regulation which had been laid down for us to negotiate claims under, were not able to consider.

Mr. GRAHAM. Had you so advised R. H. Long?

Mr. DICKINSON. Yes, sir.

Mr. GRAHAM. Do you remember now, Major, in a general way, what particular items of the contracts seemed to be wanting that you had advised him he could not get?

Mr. DICKINSON. Will it be all right to refer to notes I have here?

Mr. GRAHAM. Oh, yes; we would prefer to have you do so, if you have reliable notes.

Mr. DICKINSON. There were two contracts: One contract, No. 1426, on which there was an undelivered portion, and contract No. 1757, which had just been started, a very large amount of which was undelivered; that is, he had just started on this contract.

Under the first contract, Mr. Long stated that he was going to make a claim for change in specifications, and went on with detail of what that change in specifications cost him. That is a matter of record and correspondence as to what his claim purported to be.

Mr. GRAHAM. Do you have the correspondence so you can tell us what it is he was claiming?

Mr. DICKINSON. Yes, sir; well, he was claiming for extra rivets, for an extra amount of thread, for a loss of waste duck; he was claiming for transportation of extra employees; he was claiming additional labor cost on the bags which he had delivered.

Mr. GRAHAM. Which he had already delivered?

Mr. DICKINSON. Yes, sir.

Mr. GRAHAM. Why was not that in his original claim when he got his pay for them?

Mr. DICKINSON. They were billed at contract prices and paid for at contract prices, but subsequently he wanted more pay for labor on the bags which he had delivered.

Then he wanted a profit on the unfinished portion, which was strictly contrary to regulation. We could not allow that, and we had an indeterminate claim in there regarding his additional facilities, which he stated in his letter on May 5 that he would reserve for some future—

Mr. GRAHAM. What did he say the additional facilities were?

Mr. DICKINSON. Well, I do not know that he has ever—although I think subsequently to my coming out of the service he has made a detailed statement of what those facilities covered, a lot of miscellaneous machinery and buildings.

Mr. GRAHAM. Did he ever make that detailed statement while you were in the service?

Mr. DICKINSON. I do not recall that he did; there were more or less conversations about these facilities. But the 1426 contract, the first one, specifically provided that if two-thirds of the deliveries had been made that there should be no claim for facilities.

Mr. GRAHAM. It did so provide?

Mr. DICKINSON. It did so provide. The certain contracts specifically stated that there were no facilities to be—

Mr. GRAHAM. Provided?

Mr. DICKINSON. Or it ignored the matter of facilities; there was nothing said about facilities. I do not recall—I have not a copy of the contract here now, but I know that the question of facilities on the second contract, on which Mr. Long is making claim, was talked over in great detail at the time that the contract was placed, and for this reason it was talked over: We were instructed by the Purchase, Storage and Traffic not to enter into any contracts in the congested area, so called, with concerns, unless they already had sufficient facilities. We were expressly forbidden to enter into any such contract, and before such contract could be approved even in our own legal department a statement to that effect and sanction of our own legal department had to be gotten showing that the contractor had not got to provide extra facilities to complete his contract. That is a matter of record in the Chemical Warfare Service files, that in asking for this contract that it specifically stated that no facilities were needed.

Mr. GRAHAM. Was the claim for facilities on both those contracts or only on one of them?

Mr. DICKINSON. I think that the facilities—I do not know that he has made a definite claim for his facilities. He may have. I can, I think, find out by looking through the papers, as I say, that have taken place since I have been in the service. It is my impression that he has made a definite claim, but on the first contract he completed more than two-thirds; consequently our Contract Board of Review would not pass any claim on facilities, whether he made it or not.

In the second contract it was specifically provided, or it was clearly understood with the contractor, that no facilities would be provided for, because we were not allowed to place business in the congested area if we had to provide for facilities. The War Department requested us to place that business out of the congested area, if the manufacturer had to get additional facilities.

Mr. GRAHAM. What was the attitude of Mr. Long when you suggested to him that he get his claim in shape and when you talked these matters over with him?

Mr. DICKINSON. Mr. Long was familiar with Supply Circular No. 111—was given copies of it by me personally. When I say Mr. Long, Mr. Long, jr.—Mr. Richard Long—was the man whom I had more to do with than Mr. Long, sr.; he was the active man at the plant, and when I talk of Mr. Long it might either be junior or senior.

Mr. GRAHAM. Did you see them both?

Mr. DICKINSON. I saw them both, frequently. They were familiar with the provisions of Supply Circular No. 111 under which we had to negotiate the contract. We had no other alternative. I informed him exactly how far we could go under that supply circular, which was, namely, settle the contracts strictly in accordance with the terms of the contract. This, apparently, was not satisfactory to them.

Mr. GRAHAM. Did they say so?

Mr. DICKINSON. Yes.

Mr. GRAHAM. Well, at any time during these negotiations did Mr. Long say anything to you about taking the matter up with anybody else?

Mr. DICKINSON. Well, I think the first indication that Mr. Long was not satisfied with the information that I personally gave him was a letter which he read, I think, to Col. Bessee in which he stated it was apparent that Maj. Dickinson's authority was limited, and that as I recall it the letter stated that he would like to take the matter up with somebody who had authority to go into the matter and settle it.

Mr. GRAHAM. Do you know about when that letter was received?

Mr. DICKINSON. I think I can find the specific letter here with very little hunting [producing paper]. That was the letter under date of January 2.

Mr. GRAHAM. Do you have the letter here?

Mr. DICKINSON. Yes, sir.

Mr. GRAHAM. Read it, please.

Mr. DICKINSON. The whole of it?

Mr. GRAHAM. Such portions as refer to you.

Mr. DICKINSON. In the next to the last paragraph, it says—it appears it was signed by R. H. Long. [Reading:]

It appears to the writer that a conference between the contractors and some one with more authority than Maj. Dickinson, as his authority as stated by him is very limited, might help to bring about a satisfactory adjustment. We would like to have you call a conference of all the contractors having orders from your division.

Mr. GRAHAM. Up to that time had he got his claim in shape?

Mr. DICKINSON. No, sir; that is the pertinent paragraph.

Mr. GRAHAM. That was January 2?

Mr. DICKINSON. January 2.

Mr. GRAHAM. After those circumstances that you have detailed, what further negotiations were there about this claim, Major?

Mr. DICKINSON. This letter of January—may I answer it in a roundabout way?

Mr. GRAHAM. Yes, sir.

Mr. DICKINSON. This letter of January 2 was answered on January 4 by Col. Besse. The letter that Mr. Long wrote in the first place was not addressed to anyone in particular; it was addressed simply to the Chemical Warfare Service, and I received the letter and turned it over to Col. Besse, and had a conference with him on the subject, and he answered the letter as follows on January 4:

Mr. GRAHAM. Who, Col. Besse did?

Mr. DICKINSON. Col. Besse did.

Mr. GRAHAM. Well, such portions as are relevant, I presume are all right to be read.

Mr. DICKINSON. May I testify by simply giving a digest of what the point is?

Mr. GRAHAM. Yes.

Mr. DICKINSON. He states in the first paragraph [reading]:

And on contracts with your concern full authority has been delegated to Maj. Dickinson to make complete adjustments in accordance with the laws existing and the cancellation clauses embodied in the said contracts.

Mr. GRAHAM. That went to Long?

Mr. DICKINSON. That went to Long on January 4 in answer to his request that somebody with more authority be—

Mr. GRAHAM (interposing). Yes. What is the next that happened, after that letter was sent to Mr. Long?

Mr. DICKINSON. There are numerous letters following a letter of January 6, Mr. Long stating additional claims which they were going to make.

Mr. GRAHAM. What did he say they were going to claim for?

Mr. DICKINSON. In the first place, there was a provision in the contract stating that the contractor should dispose of the material which he had supplied or had the right to dispose of for the contract at a price to be agreed upon with the Chemical Warfare Service. There was a 60-day limit on that, and we kept advising him we were afraid his rights would lapse if he did not take action on that, and he states here that he expected to make report within 60 days of the material he had which was supplied on the contracts for that provision [reading]:

We also believe that the contracting officers of your division intend to be as fair as their instructions will allow, and as the situation under the contracts will allow, looking at the matter as they now view the contracts. Looking

at the contract situation, as a whole, however, it appears to us that the standpoint of your division is a most dishonorable one, and changing the contract without calling the attention of the contractor to the changes, at a time when contractors were so busy—making contracts which may be construed as cutting out nearly all the rights of the contractor, is pretty sharp practice to an extent that officials of the United States Government ought to be ashamed of.

Mr. GRAHAM. Who is that letter to?

Mr. DICKINSON. That letter is to Col. Besse, under date of January 6.

Mr. GRAHAM. Do you have anything of the same kind of stuff in there?

Mr. DICKINSON (reading):

We understand that the contracting officer didn't know of the changes in the contracts because, in conference with Maj. Dickinson since the armistice, it was assumed that we would have claim for special facilities or other expenses provided for the second contract as well as for the first.

Mr. GRAHAM. Is that true?

Mr. DICKINSON. It is not.

Mr. GRAHAM. You knew about the making of the contract?

Mr. DICKINSON. I did; I made it.

Mr. GRAHAM. And there was no assumption at the time?

Mr. DICKINSON. No, sir.

Mr. GRAHAM. Is there anything further in that letter?

Mr. DICKINSON (reading):

The action of your division, if they knew that cancellation of the contract would cut out the rights of the contractors, was very unfair and much different from the action of other divisions. Looking at it from a legal standpoint it appears to us that we haven't had a proper legal notice of cancellation.

I believe that this is the first intimation of the fact that they did not have legal notice of cancellation. It will be noticed in letters that are to follow that reference is made to that point several times, questioning as to whether they had legal notice of cancellation. I have copies of the telegrams which were sent by the contracting officer at the time these contracts were canceled here, but I mention that because that is, I think, the first time that point as to whether contracts were legally canceled was brought up.

Mr. GRAHAM. What is the date of that, Major?

Mr. DICKINSON. January 6.

Mr. GRAHAM. All right; proceed.

Mr. DICKINSON [reading]:

Then officers in charge representing your division at our factory on the day after the armistice refused to allow us to go any further with the contracts, except within such limitations as they decided to make. In fact all through the work on the contracts with your division the Government officials have assumed control of the property of the United States before and after it came into our possession.

In reference to the claim made in this letter that on the day after the armistice we refused to allow them to go any further with the contract, I might read the telegram which canceled the contract, so that that can be a matter of record. It is dated November 11, and addressed to R. H. Long & Co., Framingham, Mass. [Reading:]

Please except this cancellation of contract 1428. You are requested to put no more raw material into process of manufacture and to discontinue manufacturing processes to the fullest extent practicable. Wire acknowledgement.

Mr. GRAHAM. Signed by whom?

Mr. DICKINSON. The signature here is Gas Defense Division.

Mr. GRAHAM. Do you know whether he received that?

Mr. DICKINSON. I assume that he received it, because I had numerous telephone conversations on November 11 and 12 with the factory—with Mr. Long—

Mr. GRAHAM (interposing). About that matter?

Mr. DICKINSON. About this matter; and what should he do, and I specifically told him—I might say at this point that office order was issued by the officer in charge of our division to the effect that the telephone conversation or conversations with contractors—that a memorandum should be made of those conversations and sent to the legal department, and here is a copy under date of November 13 reporting the conversation, or the gist of the conversation, that I had with R. H. Long on that date.

Mr. GRAHAM. What was it?

Mr. DICKINSON. This was a report I made to the legal department, signed by me, under date of November 13, to R. H. Long. [Reading:]

Subject: R. H. Long Co., contract No. 1426.

In a telephone conversation this morning R. H. Long was advised that formal telegram of cancellation was in the nature of a request only, and that it would not be possible for him to be reimbursed for profit lost during the next 15 days, which is the period during which he may continue to produce according to the termination clause of this contract.

Then it goes on to say that—

Mr. Long is having those bags—

Meaning knapsacks—

Finished which have already been joined—

Those were knapsacks just nearly complete. just a little work to be done on them—

And the few girls who are now working at this plant are being changed over to other work as soon as possible. Manufacture under contract will be completely stopped inside of two or three days.

He was advised that the contract department would take up with him the matter of final settlement.

I simply bring that telephone memorandum in to show that I had had conversation with Mr. Long and had advised him what his rights in connection with the termination of this contract, and had agreed with him verbally on what was best to do about finishing it up.

Mr. GRAHAM. After he wrote this letter of January 6, in which he criticized his superior officer, what next happened in the matter of these negotiations?

Mr. DICKINSON. Well, there was an answer by Col. Besse to his letter of January 6—Col. Besse's letter of January 9—the letter of January 6 I read most of—no; I beg pardon, that letter on January 9 was written by me in answer to his letter to Col. Besse on January 6. Do you wish me to read that letter?

Mr. GRAHAM. Yes, sir; such parts of it as relates to this matter.

Mr. DICKINSON. I might say that I have not had opportunity to refresh myself on these matters, and it will take me a little time to pick out that which is essential.

Mr. GRAHAM. Very well; take your time about it.

Mr. GARRETT. It all bears on the subject matter before us?

Mr. DICKINSON. Yes, it does. I think I had better read right along here [reading from letter of January 9]:

Reference is made to your letter of January 6, which was in reply to Lieut. Col. Arthur L. Besse's letter of January 4, a copy of which has come to my attention, and note that you expect to submit a sworn statement for your claim within the 60 day.

Sixty days from November 11, that was. [Reading:]

With special reference to the second sentence of par. 2, it is apparent that you are trying to make Col. Besse think that in contract No. 1757 the facility clause was omitted without this fact being called to your attention and therefore was done in a dishonorable manner because of this fact. I wish to call to your attention the fact that at the time you were pressing for an additional contract and when this department was in need of increased deliveries, it was only after repeated assurance, on your part, that you already had existing available facilities and plant equipment, capable of producing the increased production, that this department considered the placing of an additional contract involving increased deliveries with you.

Mr. GRAHAM. Just pause there a moment. You say at the time "when he was pressing." What was his attitude about getting these contracts? Was he anxious to get them or were they being forced upon him?

Mr. DICKINSON. I think that that was mutual, that is, the increased deliveries that were being demanded of us had to be made somewhere. At most it was a difficult and long proposition to educate an organization up to the quantity production, provided we could get a satisfactory price from the contractor, which was very much more to the government's advantage as well as the contractor's advantage, to give him continuing contracts, owing to the nature of the article which they were building, which had to be built really by a trained organization. So that, of course, as the deliveries on the first contract were being completed or getting to a point to where it was necessary to know whether a continuing contract was to be given, it was of mutual interest to know what we were going to do after that contract expired.

Mr. GRAHAM. He wanted the contract?

Mr. DICKINSON. He wanted the contract, and I wanted him to have it provided he was willing to bid at a price which was satisfactory and in line with the other contractors.

Mr. GRAHAM. By the way, did I interrupt you in that letter some place?

Mr. DICKINSON. I wanted to bring out two more points here.

Mr. GRAHAM. All right.

Mr. DICKINSON. It is somewhat a repetition of what I have just said, but I said [reading]:

The placing of this business with you in the restricted area was only possible, as you well knew and as I had discussed in great detail with your son, was because of the fact that you had sufficient facilities and would not have to go into the open market and buy additional facilities.

I might call to your attention again the fact that one of the strongest arguments you used as a business for convincing me that you had ample facilities was the fact that a certain Medical Department contract you were completing would release additional facilities, and that several Quartermaster and Ordnance contracts were drawing to a close in the near future, which would release additional facilities, also.

Mr. GRAHAM. Were these talks you had with him about those matters with Long personally or with his son?

Mr. DICKINSON. Most of the long talks, that is, most of the conversations were held with the son, although when his father came into conference he was refreshed and was familiar with all the details; I think that Mr. Long senior knew all the details concerning it, although we dealt sometimes with his son and sometimes with the father.

Mr. GRAHAM. All right, proceed.

Mr. DICKINSON (reading):

In the first sentence of your letter of January 2 you made——

Mr. JEFFERIS. What is the date of this?

Mr. DICKINSON. This is the same letter. This is the letter of January 9, answering his letter of January 6, and this was the sixth paragraph of that letter [reading]:

In the first sentence of your letter of January 2 you make it appear that it was the officer in charge at your plant on November 12 who "held up" your manufacturing. As a matter of fact the writer called you on the telephone on November 12 and explained to your son the entire situation regarding the cancellation of your knapsack contract. At that time I brought out the point that your contract No. 1426 allowed you to continue manufacturing for 15 days, and that if you complied with our request to stop manufacturing, you would automatically waive any claim which you might make for knapsacks which you could have completed, had you exercised your rights under your contract. I further told you that you would be recompensed for the labor and material and a certain percentage of profit on all knapsacks which you had in process and not completed. I personally gave you specific instructions as to what our wish was in the matter of completing that which was in process and told you that we wished that you would complete all knapsacks which had been joined and also repair all rejects you had on hand.

Those were the instructions I gave him on November 12 as to what to do. [Reading:]

Referring to the third sentence of paragraph 3 of your letter of January 6 you speak of the officer in charge representing this department at your factory, meaning, of course, Lieut. Staples, as having on the day following the armistice refusing to allow you to go any further with the production, except with such limitations as he decided to make. As a matter of fact, Lieut. Staples was instructed precisely along the lines indicated in paragraph 6 of this letter, confirming my telephone conversation with you as to what we wished done in terminating the contract.

Lieut. Staples, I may say, was my man in charge of Long's factory, and he was acting strictly in accordance with my instructions, and he was informed precisely the same as Long was informed of what we had agreed on verbally about finishing up those knapsacks which had been joined and fixing up the rejects.

Mr. GRAHAM. What happened after that. What was the next part?

Mr. DICKINSON. The next long paragraph points out that the minute the Government material furnished to the contractor was received at the plant that the contractor signed for it; that from the minute that he signed for it the Government held him responsible for that material.

I might say that my organization which I had there at the plant, acting under my supervision, was merely a service to Mr. Long in an attempt to better the article which we were trying to build. They were not in any way in authority of the Government material or in authority to dictate as to what should be done or what should not be done.

Mr. GRAHAM. Did you know about any trouble, Major—about the quality of the material he was producing at that plant?

Mr. DICKINSON. I beg your pardon.

Mr. GRAHAM. Did you know anything about the quality of material he was producing at that plant at any time?

Mr. DICKINSON. The only information I ever had in that respect was simply gossip that I heard talked among officers connected with other departments.

Mr. GRAHAM. You had no function that you had to perform in which you had to pass on that?

Mr. DICKINSON. No, sir.

Mr. GRAHAM. You spoke there of improving the quality of the stuff. I was curious to know just what you had in mind regarding that. You said you had an organization.

Mr. DICKINSON (interposing). Oh—owing to the nature of everything connected with gas masks, the inspections were very rigid. They necessarily had to be, and we found by previous experience that the only satisfactory way the Government could get at the article which it wanted was by supervising the manufacture. We had one contractor fall down completely, owing to that failure of the Government to properly supervise the manufacture.

Mr. GRAHAM. You had an organization in his factory for that purpose?

Mr. DICKINSON. I had an organization in his factory for that purpose, acting merely as a service for him, to help him produce the article the way the Government wanted it and to cut down his rejections.

Mr. GRAHAM. In addition to this contention about the increased facilities there that you have been talking about, was anything further done along that line in pursuing that subject?

Mr. DICKINSON. Well, in all subsequent correspondence here—the subsequent correspondence is back and forth between R. H. Long and our office in an attempt to convince him that the contract, as far as our office was concerned, should be settled only in accordance with the terms of the contract.

Mr. GRAHAM. Did he seem to be willing to settle that matter in accordance with the terms of the contract?

Mr. DICKINSON. No, sir; and that is precisely what caused the delay.

Mr. GRAHAM. How long were you talking back and forth and having exchanges of views on that matter?

Mr. DICKINSON. Well, practically up to the present moment; that is, I understand that sometime along in May or June of this year that supplemental contracts were drawn up taking care of that portion of those contracts which they could agree on.

Mr. GRAHAM. You mean that during the present year and after the signing of the armistice they made new contracts with Mr. Long?

Mr. DICKINSON. Supplemental contracts which allowed the payment of certain moneys on such portions of the contract as Mr. Long and the Government could agree on.

Mr. GRAHAM. Did they take care of any of these things that you could not agree on?

Mr. DICKINSON. No, sir; they did not, and I understand that those things which were not agreed on and which were not taken care of

in these supplemental contracts are to be the basis of a claim that they are subsequently to make now.

Mr. GRAHAM. That he is now insisting upon?

Mr. DICKINSON. Yes, sir; I understand that is the situation.

Mr. GRAHAM. Do you know whether he is now contending that sums are due him for special facilities on those two contracts?

Mr. DICKINSON. I am very sure that is correct.

Mr. GRAHAM. You do not know the amount? I think Col. Besse testified the exact amount.

Mr. DICKINSON. I have some memoranda here that states that Mr. Long's latest claim is for \$654,222.65.

Mr. GARRETT. Is that on these contracts?

Mr. DICKINSON. I was just going to bring up that point—I might point that out: It is on those two contracts, but the supplemental contract which has been drawn up, supplemental to 1426, took care of all the claims which he could possibly make under that contract anyway, that is, they practically agreed on settling contract 1426 so that this claim of \$654,000 is a claim which must be based simply on contract 1757. The total amount of money involved in contract 1757 was \$900,000.

Mr. GRAHAM. And his claim is how much?

Mr. DICKINSON. His claim is \$654,000; in other words, his total claim is over two-thirds of what he would have received if he had completed the whole contract.

Mr. GRAHAM. How much did he complete of it?

Mr. DICKINSON. All he had done was cut about 40,000 preliminary pieces out of 2,000,000. As a matter of fact, he had practically done just one day's work; he had just barely started it; that is all he had done on the supplemental contract and they had agreed on, and that work was a matter of very few dollars; I do not think it would run up to \$1,000 for work that had been done on that second contract.

Mr. GRAHAM. Verify that, will you, Major?

Mr. DICKINSON. I remember seeing the exact amount stated somewhere in this file. The supplemental contracts were settled long after I was out of the service, and I am only familiar in a general way with what the figures were.

Mr. GRAHAM. You can supply that in your testimony.

Mr. DICKINSON. I see that figure in here in some letter of Col. Besse's.

Mr. GRAHAM. Can you tell us for the information of the committee, in a general way, about what your memorandum is that the figure was approximately?

Mr. DICKINSON. I think it is right here in front of me.

Mr. GRAHAM. If you have it you can give it.

Mr. DICKINSON. It says here we have paid Long under contract 1426 a total of \$33,381.94; under contract 1757, of raw material, they have paid him a total of \$110,138.95.

Mr. GRAHAM. What additional matters, in addition to the special facilities, did you have any difficulties with him about in the settlement of this contract, Major, if anything?

Mr. DICKINSON. One of the first things that we had trouble about was the disposal—it was not disposal—one of the first things we had trouble about was what constituted a proper amount of thread.

Mr. GRAHAM. Explain that to the committee, will you?

Mr. DICKINSON. Mr. Long submitted various figures at various times, some of which did not agree, and in his claim for the amount of thread which he had bought in anticipation of this contract, he claimed a certain poundage of thread necessary to complete the contract. We went into the matter of the amount of thread necessary to make a knapsack, very thoroughly. We took it up with the other three manufacturers who were making precisely the same article, of the same specifications and in exact manner—and when I say “in exact manner” I mean they were making it under the same specifications. There were slight differences in the method of manufacture.

We took it up and we found that the amount of thread Mr. Long was claiming was necessary to make those knapsacks was just double the amount necessary for the other manufacturers. We called this matter to his attention and said that we thought he was asking for an excessive amount of thread, and we asked him—well, at that point I might say that in a conference, trying to get together on some of these points, Mr. Long assumed the attitude that if “you do not allow us that amount of poundage somebody else will.”

Mr. GRAHAM. What did he say about that, Major, or do about it? Just develop that.

Mr. DICKINSON. I do not know, of course, exactly what Mr. Long did.

Mr. GRAHAM. What did he say?

Mr. DICKINSON. But I can read a copy of the minutes of one meeting of Col. Besse, Mr. Long, Capt. Kay and myself had at the time we were trying to negotiate the contract.

Mr. GRAHAM. All right, do so.

Mr. DICKINSON. On February 7 the conference was arranged by telegram to be held in Col. Besse's office on February 10. [After a pause] I do not seem to be able to find those minutes just now.

The CHAIRMAN. We will shortly take a recess until 2 o'clock, and in the meantime you can find those minutes for us.

Mr. GARRETT. Mr. Chairman, before you recess, I would like to say that Mr. Long is here, as you know, and is quite anxious to make a statement before the committee, so he has informed me, touching the matters that have been given in evidence. I am wondering if we can arrange so that we can do that this afternoon.

Mr. GRAHAM. We can start this afternoon, if he qualifies. But if Mr. Long is here expecting to give a statement only as to such matters as he may care to make a statement about, I, for one member of the committee, would say he ought to disabuse his mind of that, because if he goes on the stand I propose to go through the whole matter of his contracts, which will take some time. But my idea was that immediately after the conclusion of the Major's testimony to give him an opportunity to proceed, if he wanted to. But he must understand that it will take some time. There are something like 200 contracts of his and inasmuch as we are going into the subject we might as well go into it thoroughly.

Mr. GARRETT. Mr. Chairman, I do not know to what extent, of course, Mr. Long desires to go into it. I am not in his confidence, as to that matter, excepting that he would like to make a statement to the committee.

Mr. JEFFERIS. He will be willing to subject himself to examination?

Mr. GARRETT. I should suppose so. I think I would like to say this, as a member of the committee: Mr. Long, as is well known to this committee, is now engaged in a political campaign. The election is shortly to be had. Those of us who have had experience in campaigning realize the importance of being on the ground. This matter has been brought to the attention of this committee right on the eve of that election; certain testimony has been given here calculated to reflect upon Mr. Long, and that has been widely published throughout the State of Massachusetts.

As far as I am concerned, I think Mr. Long should have an opportunity to make a statement before this committee concerning those specific matters that charges have been made about, and that the committee should be accommodating enough to him to let those things be heard, and to arrange the matter as nearly as possible to meet his convenience in view of the pressure under which he is now working.

Mr. JEFFERIS. What are these newspaper charges that he wants to refute, or does he want to refute testimony taken before this committee?

Mr. GARRETT. I have not conferred with Mr. Long in any way whatever as to the character of his testimony. I met the gentleman here in the committee room this morning for the first time. I had no conversation whatever with him beyond the fact that he said to me that he desired to testify before the committee, and I know nothing, of course, as to the character of the testimony that Mr. Long proposes to give. I do know the testimony that has been given before this committee has touched upon certain specific contracts that Mr. Bennett gave us what facts he had gathered and the benefit of such inferences as he cared to put before the committee.

Mr. JEFFERIS. What I was trying to ascertain is that if the newspapers of Massachusetts are carrying on a campaign there it is to get up an altercation between some newspaper reports and Mr. Long. I think that is foreign to anything that this committee has to do. If it is something that he wants to testify in regard to these contracts, in view of some of the testimony that was taken before the committee, that is a different proposition.

Mr. GARRETT. I assume, of course, that is to be the line that Mr. Long will desire to testify about.

Mr. GRAHAM. Well, as the chairman of this committee, I want to say to you that I have privately told the members of this committee of some communications I have received from this man which are insulting and contemptuous of this committee and its chairman. Later, when he goes on the stand, he will be given an opportunity to say whether he sent these telegrams or whether he did not. If he presents himself here, he presents himself no differently from any other witness; and when he does he comes within the rules of this committee, and those rules are well known to all of us; that is, that the person should be sworn who goes upon the stand and answers interrogatories. We have had the Secretary of War, we have had the Attorney General, we have had other men high in public life before the committee, and we did not depart from the rule, and we will not depart from it now unless the committee overrules me. He has

no right to come here from Massachusetts and make a statement before this committee which he wants to get into the press and then go back to the campaign. If he comes here voluntarily, he must submit himself to such examination as we care to put to him, if he goes on the stand.

I think that is all I care to say now, and I did not intend to say anything until the matter came up. But he will be given an opportunity as soon as the Major gets through with his testimony.

(The committee will now stand at recess until 2 o'clock this afternoon.)

AFTER RECESS.

Mr. GRAHAM. During the intermission, Major, have you found those minutes?

Mr. DICKINSON. Yes, sir; I have.

Mr. GRAHAM. Proceed, Major, and detail the memoranda of this meeting as you have them.

Mr. DICKINSON. May I interpose before that a letter which was received on February 7 from Mr. Long to Col. Besse, saying:

Confirming my telephone conversation with you yesterday, the writer will call on you at your New York office on Monday about 10 o'clock concerning contracts for the gas mask knapsacks.

The second paragraph is what I wished to emphasize. [Reading:]

The writer took the matter up with the Assistant Secretary of War, Mr. Crowell, Wednesday, explaining importance of having our factories and capital for commercial business. Mr. Crowell requested me to take up the matters of all our contracts with the various divisions and report to him concerning them and concerning any delay on the part of the various branches of the War Department.

There is some more in this letter which does not have particular bearing on that; but he acknowledges the telephone conversation and arranges to meet us and speaks of his conference with Mr. Crowell in regard to the delay in the settlement of the contracts. Here are the minutes of the conference of February 10. [Reading:]

Memorandum of conference—February 10, 1919: Present, Mr. R. H. Long, Lieut. Col. Besse, Maj. Dickinson, and Capt. Kay—

I will only read such portions as are applicable.

Mr. Long stated that this division's method of handling business was rather different from other departments, was sharper, and gave less consideration to the contractor. The leaving out of the facilities in the second contract was brought up as unfair incident.

This conference was held with an idea of trying to get together on those points on which we could agree, and the balance of the memorandum of the meeting was a statement by Col. Besse of just what we would allow on each specific claim which Long was making. There is a whole lot of detail connected with that; I do not know how fully you want to go into it. [Reading:]

Mr. Long stated that in spite of the fact that the facilities clause was not in the contract he intended to collect for the facilities. Mr. Long also said that they intended to collect for the entire amount of thread shown, but refused to submit proof that this amount was necessary for the production of 2,000,000 knapsacks.

That is, as shown by his informal statement which he had submitted.

Col. Besse and Capt. Kay attempted to show Mr. Long that this division was willing to put his figure in if he would substantiate it, but he could not otherwise, because other knapsack manufacturers gave a much lower figure.

Col. Besse said to Mr. Long:

You have called my attention to the fact that Secretary Crowell has suggested—and in fact has told you—that you were to settle with the different bureaus of such parts as they would settle.

Mr. Long. He told me to request the different bureaus to settle, and he said he would like to have you report to him any incidents where settlements were not made promptly.

Col. BESSE. This does not jibe with your statement that you are unwilling to show us how we are wrong, which indicates an unwillingness to settle with us at all. You have just said that it was easier to prove to someone else than me—you do not want to make any effort to prove to me. I am not opposing any settlement or delaying any settlement. I am anxious and willing to go out of my way to make a settlement. What your idea is I do not know. You say that you have a means of covering facilities, and if you can show me how I can do it in a legal way I want to do it.

Mr. Long. I do not want to wait forever on this proposition. We have waited three months and you are still occupying our factory. We waited for you to get the material out and did not think it advisable to send in the claim until then. We could have done it in 15 minutes.

In that connection I want to say that we were advised by legal counsel that it was not within our rights to remove from the factory property in which the contractor held an equity until a sworn statement covering that property had been received and agreed upon by the contracting officer; in other words, we were jeopardizing the Government's rights if we removed that property in which the contractor had an equity, and later on he could turn around and make any sort of claim he wished on that property, because it would not be in evidence we was specifically told not to touch that property until agreements had been made as to the proportion of equity between the contractor and the Government; and that is the only reason why the property was not removed, and Mr. Long was aware of that fact.

I might state further that this meeting was a stormy one, and it was at this meeting, that, as I recall it, the letter from the War Department was exhibited.

Mr. GRAHAM. Tell us about that.

Mr. DICKINSON. It was very apparent that Mr. Long's estimation of our ability to handle the situation was very small. He made remarks about our age, our previous experience and ability, and intimated that it did not make much difference what we said because he would take the matter up with higher authority and get satisfaction. That, in general, is the spirit which he assumed at that meeting.

Mr. GRAHAM. Tell us about the exhibition of this letter you have spoken of.

Mr. DICKINSON. The exhibition of the letter was—the letter was not handed over to us to read: He simply said, "I have a letter from the War Department, from Mr. Crowell," and went on purporting, in my judgment intimating, that if we did not settle his way he simply would take the matter over our heads and make some other arrangement.

Mr. GRAHAM. Did he tell you anything about what was supposed to be in this letter?

Mr. DICKINSON. That is covered in his letter of February 7th; that is the only written statement of what he said was in that letter.

Mr. GRAHAM. What was it he said was in that letter?

Mr. DICKINSON. He said that he had taken the matter up with Mr. Crowell, and Mr. Crowell requested him to take his contracts up with the various divisions and report to him any delay on their part.

Mr. GRAHAM. Did he let you read this letter?

Mr. DICKINSON. He did not.

Mr. GRAHAM. Did you see it to observe whether the letterhead of the War Department was on it?

Mr. DICKINSON. As I recall it, it was on a regular War Department letterhead.

Mr. GRAHAM. But he did not show it to you?

Mr. DICKINSON. No, sir; not to allow me to read it.

Mr. GRAHAM. After that, did you have any further interviews with him?—this was R. H. Long, senior?

Mr. DICKINSON. This was R. H. Long, senior. Well, after this conference, Col. Besse wrote two letters, one covering contract 1426 and one covering contract No. 1757, in which he specifically stated precisely what basis, according to Long's informal claim, we would settle on. In other words, he specifically stated the only basis which we were authorized to settle those contracts on.

Mr. GRAHAM. Did he reply to that?

Mr. DICKINSON. Yes, sir. Letters went back and forth with only a day of two's intervals between the letters, trying to reach some basis of settlement.

Mr. GRAHAM. Were you never able to agree?

Mr. DICKINSON. No, sir; we were not.

Mr. GRAHAM. Did you have any further personal interviews with R. H. Long?

Mr. DICKINSON. Personally, I did not.

Mr. GRAHAM. Do you know whether the colonel did?

Mr. DICKINSON. Yes; I think the colonel had several further interviews.

Mr. GRAHAM. Did you have personal knowledge of them or just hear of them?

Mr. DICKINSON. I think it is a matter of record in these letters here.

Mr. GRAHAM. Do you know anything else now that he was claiming, aside from the matter of thread and the matter of special facilities that was in dispute between you?

Mr. DICKINSON. Yes; he made a claim for loss of waste duck.

Mr. GRAHAM. Well, what was there to that?

Mr. DICKINSON. The basis of his claim is this: Duck was a scarce article. We had to take what duck we could get from the quartermaster. It so happened that some of the duck we got from the quartermaster did not cut to as good advantage in width; it came the wrong width, so that there was a little piece left on the edge. However, the allowances of duck made to Mr. Long under his contracts were not on a specified width.

They were on a square yard basis, so that it would not make any difference what width duck he was furnished with, provided he was furnished with sufficient square yardage. According also to a clause in the contract, the wastage from this duck was to belong to the contractor. It seems that on the first duck that was supplied to the contractor there was an extra width, that is, it was wider than it should have been to cut economically. That was simply a circumstance; it was nobody's fault, so to speak, and he was able, according to his claim, to dispose of it at a profit this edge. That we admitted he had a perfect right to do, because the contract provided that the extra width belonged to him. Subsequently we were able to obtain duck which cut with a very much less wastage, but sufficient and proper width so that he could cut out the knapsacks; that is, we furnished him with sufficient; and because of the fact that he was not furnished with duck on which he could get a salvage, he claims \$24,982. I will leave it to anybody's knowledge of the situation as to the validity of that claim.

Mr. GRAHAM. He insisted on it, did he?

Mr. DICKINSON. Yes. These are the claims which Mr. Long intends to make over and above the settlements which have been made in accordance with the terms of the contract.

Mr. GRAHAM. Was there anything further?

Mr. DICKINSON. He makes a claim of \$12,623.89 because he had to transport extra employees.

Mr. GRAHAM. From what point to what point?

Mr. DICKINSON. He has got a long schedule here which shows how he arrived at the \$12,623—gives a number of points in and around Framingham, and statement of the cost of tickets which he paid out in order to get extra employees.

Mr. GRAHAM. Was there anything in the contract about that?

Mr. DICKINSON. Absolutely nothing. I might mention here a point I do not want forgotten, and it is that these claims are made on the basis that the specifications were changed.

Mr. GRAHAM. On the basis that they were changed?

Mr. DICKINSON. On the basis that they were changed.

Mr. GRAHAM. That who changed them, does he claim?

Mr. DICKINSON. That our department changed them. That is true; the specifications were changed.

Mr. GRAHAM. Were they changed in any of the respects that affect this?

Mr. DICKINSON. No, sir. He claims, for instance, in the next item, an additional labor cost of \$104,868 on account of this change of specification.

Mr. GRAHAM. What was there in the specifications that he based that on?

Mr. DICKINSON. He substantiates that by a series of copies from his cost sheets in which he purports to show the decreasing cost of the knapsack to him down to the time that the specifications were changed, and then when the specifications were changed a big increase.

Mr. GRAHAM. How were they changed that affected that?

Mr. DICKINSON. It will need a little detailed explanation to cover this whole question of change in specification.

Mr. GRAHAM. Well, do that.

Mr. DICKINSON. Owing to the fact that the Government needed these knapsacks very urgently, we were endeavoring not to waste any material by rejections. We had three other manufacturers who were making these knapsacks in the same identical way, and the rejections on account of such rigid inspection were very serious from the standpoint of tying up material, which we wanted to go into completed product. This was caused by the design of what we call the "gusset," which was the side piece of the knapsack. The knapsack was cut out longer than this piece of paper and brought up like this [illustrating]. The piece which formed the end was called the gusset.

Now, in order that when a man was using this gas mask in the field it was necessary for the flap on the top of the bag to be closed; otherwise, moisture would get in and spoil its chemical content on which he was depending for safety; and right in here [indicating] was the difficult place to make it rain-tight when this flap was over, and in trying to do that the old specifications brought up this gusset and then bent it in and then riveted it over in here [indicating]. It was that riveting portion on this old style of gusset which depended entirely on the laborer's skill. There was no chance to do it mechanically. This duck was stiff; it was paraffined and hard to work, and it was a very difficult thing to fold that gusset in, and they were only given one-eighth inch tolerance. It had to be exact; and the resulting rejection from that type of gusset was very, very high.

To help ourselves and to help the manufacturer we conferred with them all and asked them to suggest ideas, and we suggested ideas as to how to change that gusset and have it perform the same function; and we were able, after a little study of the way to build that knapsack, to build a gusset which was absolutely straight-away work; it required no skill whatever to build. The only thing that it required extra was that it be riveted in two more places instead of so [illustrating].

In connection with this riveting, I might say that in the position that the new rivets were in the new gusset, because of the position of these rivets, it was a purely automatic riveting proposition. There was a gauge in the machine, and the operator simply put his work in there and the machine did the rest. There was no folding or skill on the part of the operator required in performing that. It did require two extra rivets, however. The manufacture of the gusset was absolutely straight-away work, whereas before they had to fold it around the corner and sew around the corner, which was a very difficult thing.

This matter was taken up simultaneously with all of the knapsack manufacturers. They all agreed, including Long, that the new scheme was very much simpler and would reduce the cost of the knapsack, even taking into consideration the fact that they had to furnish a couple extra rivets. As a matter of fact, nothing was said by Mr. Long, either senior or junior, at the time that would indicate that they were not perfectly willing to adopt this slight change in specification for their benefit as well as that of the Government, nor was anything said about that until January 2, which was practically two months after they had ceased to manufacture.

On the other knapsack contract, there was no claim made except in accordance with our verbal agreement. They admitted it was cheaper to make the knapsack that way. And none of the other three made any claim at all on account of change in specification.

Mr. GRAHAM. Now, they want only \$104,000?

Mr. DICKINSON. That is only a part of it; they want \$104,000 for just the labor cost.

Mr. GRAHAM. What else was there?

Mr. DICKINSON. They are putting in a claim of profit on the unfinished portion.

Mr. GRAHAM. How much?

Mr. DICKINSON. \$33,615. Then they are leaving the matter of additional facilities, which was specifically exempted in the contract, that is, I mean there was no chance for them to collect under the terms of the contract—they simply say, well—they do not state definitely what their claims for facilities are going to be.

Mr. GRAHAM. Have you covered the ground of the disputed items between him and the Government, Major?

Mr. DICKINSON. No, sir; I have not.

Mr. GRAHAM. What else is there?

Mr. DICKINSON. I said that the additional facilities were reserved for the future, that is, that he did not state definitely what he wanted. I take that statement back, because on this next page I find a statement which shows exactly what claim he is making for facilities. He is making a claim for facilities of \$118,241.

Mr. GRAHAM. Do you know what they are?

Mr. DICKINSON. Yes; I have a long list here of several pages.

Mr. GRAHAM. Did he buy those special facilities?

Mr. DICKINSON. He did not, that is, not for my special contract. The reason I know he did not buy those specially for my contract was that before I gave him the contract I personally saw the facilities on the ground, and he had bought them, he said, in anticipation of getting war contracts, additional war work. He had simply taken, as I would put it, a gamble on his being able to get contracts to put that equipment to work, and also built a big modern concrete factory. That was a part, I think, of his facilities to cover a certain proportion of the cost of that factory.

Mr. GRAHAM. You say this \$108,000 does cover a portion of the cost of that factory?

Mr. DICKINSON. Yes; and which was all he erected and being used by him for other purposes prior to the time I gave him the first contract anyway, and it was because of his facilities which he did have and because of the fact that I could not find any other contractor who had like facilities idle, or sufficient facilities idle, that I placed the business there in the first place.

Mr. GRAHAM. So that there was not, as a matter of fact, any of those special facilities that were purchased for this particular contract?

Mr. DICKINSON. Not to my knowledge. There is just one other point there: He has in a claim for anticipated profit, but his claim is so mixed up and so indefinite that the best I can tell you is that it varies from \$33,500 to \$52,700; that is, from different letters he has

sent in it varies, and it does not jibe in any two instances, so far as I know.

Mr. GRAHAM. Is that in your correspondence with him, that difference of figures?

Mr. DICKINSON. I did not get the first part of your question.

Mr. GRAHAM. Does that appear in the correspondence with him, that is, the difference?

Mr. DICKINSON. I might state that this getting down to actual figures on the intended claims beyond what we agreed we would settle for is something which has come up since I was in the service. At the time I left the service was just after this hot conference I spoke of, just a few months ago; and at that time we had simply gone back at Mr. Long by stating definitely our limit in settling with him under the terms of his contract.

Mr. GRAHAM. Major, you resigned in the ordinary way, did you?

Mr. DICKINSON. I was discharged; I did not resign.

Mr. GRAHAM. Do you know whether this altercation with Long had anything to do with your discharge?

Mr. DICKINSON. I have no reason to think it had anything whatever to do with it; it was the only contract, of all those I had negotiated, that was pending. I had effected settlements on all the other contracts that were allocated to me to handle. I think I am correct in that statement that this was the only one with which we were having any difficulty that I had anything to do with. Col. Besse, after Mr. Long had tried to ignore me in the matter, was more or less in on all transactions that happened after that, so that he was perfectly familiar with the situation and they did not feel justified in holding me there longer simply because they could not agree with Mr. Long on these two contracts.

There is just one other thing in connection with that thread proposition that I want to bring out, and that is, he finally saw the folly, or he tried to justify his claim for the amount of thread so that we would allow him the amount he was claiming, and we asked him to submit his figures, which he did—they cover a page—showing each individual sewing operation, the sewing inches involved, and the basis on which he figured. Whoever made up that set of figures apparently was not familiar with the detailed sewing operations or else were very careless, because they included in there some 262 sewing inches which were not performed; and by subtracting the actual number of sewing inches not performed from his figures, or the figures which he submitted, we were allowing him considerably in excess of his own claim.

There is another point on that thread matter: Our thread allowance was based on the new type of gusset. Considerably over half of knapsacks which he produced on contract No. 1426 for the old type of gusset required very much less thread. Consequently if we do figure right down fine, to the very last cent, it is my opinion that in allowing Mr. Long the allowance which we subsequently did, we gave him more than we would have been justified in doing, according to his own figures.

Mr. GRAHAM. How much, Major, have you figured he was allowed more than he was really entitled to, in money?

Mr. DICKINSON. There is this much about it, in the manufacturing of that sort there is an indeterminate figure which is known as "wastage." In other words, if you have a lot of green help that do not know how to work they will waste more thread than experienced stitchers will who know how to operate their machines. Consequently, the only basis that we had to figure on was the claims made by the other manufacturers. They were all building the same article, and we took the maximum figure that was charged by the Simmons Hardware Co. as our basis, that is, the maximum of the other three contractors, and then checked that. We, for instance, asked them: "If you were going to take another contract, what do you think is a sufficient percentage of wastage to allow?" We asked that of all of the contractors, and with the exception of Mr. Long they practically agreed; their figures came out very close, which was 4 to 1, that is, for 1 inch longitudinal it took 4 inches of dress, and they figured and agreed, and their claims were well within that figure, that is, the other three manufacturers.

Now, taking the maximum of the other three manufacturers—the Simmons Hardware Co. happened to be the one whose figure we took—they said it took 15,000 pounds for a million knapsacks—that is the way it figured out. Long's claim was for 30,000 pounds per million, or, in other words, 60,000 pounds for two million knapsacks was the claim he made, which was just double the maximum of the other contracts; and we proved by those figures that we were allowing him more than he claimed by his own figures was necessary.

Mr. GRAHAM. How much did you allow him?

Mr. DICKINSON. I will find those figures here in just a minute. [Examining papers.] We allowed him, according to the figures he submitted, of the thread that was necessary, figured out on the basis of 2,000,000 knapsacks, that it only required 24,200 pounds of thread, and we stood ready to allow him 30,000 pounds, which is 5,800 pounds more than what he claimed was necessary. We tried to get him to substantiate his claim for 60,000 in detail.

Mr. GRAHAM. And then you allowed him 5,800 pounds more than that?

Mr. DICKINSON. Yes. I stated just a minute ago that whoever drew up his statement of the amount of thread that was necessary went on and made claims for thread which they should not have made; for instance, basting the sides. There was no thread used there; that was simply a mode of manufacture that he adopted. If he chose to buy thread to do that of his own free will, that was his business; it was not any of the Government's affair, because those sides were basted with a little bit of a light thread; they were simply meant to tack the thing down temporarily, and then this side [illustrating] was tacked down temporarily, pending the sewing it according to specifications. It was simply a mode of manufacture. But he put in a claim for all that thread. Some of the manufacturers did not use any thread at all. The Simmons Hardware Co. had a folding machine which crushed the end down and held it. Then they had a printing machine which printed lines, and then a folding machine which held it down and held it temporarily, and then they relied on the skill of the operator to sew it to those lines.

R. H. Long's method of manufacture was to run it through a machine and tack it down temporarily rather than to do as Simmons did. The Government did not specify any of that light sewing in there; and whoever made up his (Long's) report of the amount of thread that was necessary overlooked that fact, and I supposed, of course, that the Government would pay for all that additional thread.

Major, I want you to tell the committee now what Mr. Long's attitude was about this matter. Did he impress you, as a member of that board, as wanting to be fair and as contending for only that which was really his, or did he not?

Mr. DICKINSON. I think, from the evidence which I have given here today, it is very apparent that I do not think that he was willing to abide by the contracts he had signed. He only tried to incriminate me, and the remarks made in conference with Col. Besse and myself were entirely out of order.

Mr. GRAHAM. But, remarks which you, as an officer of the Army, had to stand for?

Mr. DICKINSON. Remarks which I would not have stood for if I hadn't been in the Army.

Mr. JEFFERIS. Major, what was your business before you went into the Army?

Mr. DICKINSON. Well, just prior to the time I was in the Army, I was with a grain concern for three years, as sort of general manager, not in the buying nor selling end, but in charge of the physical property and real estate and help.

Mr. JEFFERIS. And you went onto this Claims Board about when?

Mr. DICKINSON. It was either November 11th or 12th; it was immediately upon the cancellation of all contracts, production was stopped and the procurement department was evolved into a contract adjustment department.

Mr. JEFFERIS. You had, prior to that, been on the procurement part of it?

Mr. DICKINSON. The procurement section of the Gas Defense Division of the Chemical Warfare Service.

Mr. JEFFERIS. As I understand you, you represented the Government in making these two contracts, 1426 and 1757, with the Long Co., did you?

Mr. DICKINSON. Col. Besse was the contracting officer, but he delegated to me the actual work in connection with the placing of the business, that is, I was the active man in it, but I was not the contracting officer.

Mr. JEFFERIS. In other words, you did not sign the contract?

Mr. DICKINSON. I had no authority to sign the contracts.

Mr. JEFFERIS. But you did agree on what was to be in the contract?

Mr. DICKINSON. I was the only authority that Mr. Long looked to prior to the armistice.

Mr. JEFFERIS. This first contract, 1426, was for how many knapsacks?

Mr. DICKINSON. That was for 1,000,000 knapsacks at 52½ cents.

Mr. JEFFERIS. And that contained a provision that if it was two-thirds completed extra facilities were not to be charged.

Mr. DICKINSON. No facilities were to be considered.

Mr. JEFFERIS. That is, if how much was done?

Mr. DICKINSON. If two-thirds were completed.

Mr. JEFFERIS. So, then, according to the terms of the contract 1426, if it was more than two-thirds completed there should be no charge to the Government for any extra facilities?

Mr. DICKINSON. There would then be no possible claim for facilities.

Mr. JEFFERIS. And that contract, as a matter of fact, was what proportion completed?

Mr. DICKINSON. The undelivered portion was 184,810 to a million.

Mr. JEFFERIS. Then that would make it about 85 per cent completed, would it not?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. So under contract 1426 there could be no honest or just claim for increased facilities?

Mr. DICKINSON. That was the opinion of the Contract Adjustment Board in our office.

Mr. JEFFERIS. As to contract 1757, that was for how many knapsacks?

Mr. DICKINSON. That was for 2,000,000.

Mr. JEFFERIS. And that contract, as I understand it, contained no provision regarding increased facilities?

Mr. DICKINSON. No, sir.

Mr. JEFFERIS. And why was that?

Mr. DICKINSON. Because in the interim between the time contract 1426 was issued we had been given specific instructions by the Purchase, Storage, and Traffic Division of the War Department that no contract should be entered into or, I think the ruling stated, could be entered into or would be approved by their department in which the Government had agreed to compensate the manufacturer for facilities.

Mr. JEFFERIS. Was that understood by Long at the time that he signed this contract 1757?

Mr. DICKINSON. The whole circumstances were known to him, because I personally told him all about it; he was thoroughly familiar with that.

Mr. JEFFERIS. Did he make any claims before that contract 1757 was executed that he had the facilities, etc., to make these goods?

Mr. DICKINSON. There was nothing whatever said about contract 1757 after he executed it.

Mr. JEFFERIS. I mean before, did he?

Mr. DICKINSON. His bid for the business was based on the fact that he had the facilities.

Mr. JEFFERIS. That he had the facilities?

Mr. DICKINSON. That he had the facilities; that is the reason and the only reason why I looked to him for output was because he did have the facilities.

Mr. JEFFERIS. That being true, as I understand your testimony, a claim on Mr. Long's part for any increased facilities because of contract 1757 would be a false and dishonest claim, would it?

Mr. DICKINSON. That is the way I consider it. I might say that the fact that he executed the contract with the facility clause exempted, I am told, and the fact that it was subsequently executed by the Government makes it a binding contract, regardless of that fact.

Mr. JEFFERIS. And that the terms of the contract should govern rather than anything else?

Mr. DICKINSON. I understand there is no procedure by which the contract can be settled in any other way rather than in accordance with the terms of the contract, now that it is a legal instrument, having been executed by both Long and the Government.

Mr. JEFFERIS. The terms of the contract and the further fact that he was given this contract simply because he had the facilities—he makes a claim of how much for facilities?

Mr. DICKINSON. \$118,241.

Mr. JEFFERIS. And those were the items that your board would not allow him anything for?

Mr. DICKINSON. Exactly; and an item which not until away long after February 18, when I was discharged from the service, was it ever submitted. Prior to that time it was always an indefinite claim which he was going to make in the future on the buildings.

Mr. JEFFERIS. You spoke something about him claiming at one time that you had failed to give him any legal notice of cancellation of these contracts. Was his position in that regard true or correct, or was it false?

Mr. DICKINSON. I was advised by our legal department that the official telegram which was sent to him under date of November 11 constituted official notification of termination of the contract in accordance with the provisions thereof. It was so taken by the 500 other contractors as official notice of cancellation and not questioned in any way. The legality of it I am not in a position to state.

Mr. JEFFERIS. But Long, as a matter of fact, did take the position afterwards that his contract had not been canceled?

Mr. DICKINSON. He refers in numerous letters to the fact that he does not consider that they were officially canceled. Just what his point is in making that statement I do not know.

Mr. JEFFERIS. As I understand it, later on you did finally effect a complete settlement with him as to contract 1427?

Mr. DICKINSON. Not a complete settlement, but a settlement was perfected or was made with Long subsequently; and that portion of contract 1746 which the contract adjustment board of the Chemical Warfare Service considered was in the jurisdiction of the terms of the contract.

Mr. JEFFERIS. Did they allow him for any increased facilities?

Mr. DICKINSON. They did not. The details of just how they arrived at what they did allow him I have here as a matter of record. I do not know as you want me to go into the details of it.

Mr. JEFFERIS. But as to contract 1757, as I understand it, there is a claim now pending of \$654,222.

Mr. DICKINSON. Yes, sir; that is the total figure of his various types of claims, the details of which I have already talked about.

Mr. JEFFERIS. About when was the date of that contract 1757?

Mr. DICKINSON. Contract 1757 was dated in the office of the Chemical Warfare Service October 21, but through delay in the Director of Chemical Warfare Service's office, it was not approved until November 18.

Mr. JEFFERIS. November 18?

Mr. DICKINSON. Yes.

Mr. JEFFERIS. That was after the signing of the armistice?

Mr. DICKINSON. That was after the signing of the armistice, but that was not an unusual occurrence. The length of time it took to get a matter of that sort through headquarters oftentimes was delayed much longer than that.

Mr. JEFFERIS. As I understand it, there was that contract 1757 that would have required the cutting of about 2,000,000 pieces of duck?

Mr. DICKINSON. The contract was for 2,000,000 knapsacks, each knapsack consisting of several pieces sewed together.

Mr. JEFFERIS. Small pieces?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. So that there would have to be about 2,000,000 pieces cut?

Mr. DICKINSON. There would have to be nearer 10,000,000 pieces.

Mr. JEFFERIS. You mentioned something about his cut 40,000, or something.

Mr. DICKINSON. The material which he had in process was for 40,400 bodies; that was just the main piece of the bag; he had 58,286 side pieces; that would mean sufficient for about 25,000 bags.

Mr. JEFFERIS. In other words, he had material cut for about 25,000 bags?

Mr. DICKINSON. He had bodies cut for 40,000, but he had end pieces enough for 25,000, and he had partitions—there was a partition running from the middle of the bag—and he had 22,850 of those. That was his claim, that is all he did have cut, and that that was the number of pieces he did actually have cut was proved out by Government inventory.

Mr. JEFFERIS. In other words, he did not have material cut for 40,000 haversacks?

Mr. DICKINSON. No, not complete; his total bill, including 10 per cent profit for that amount, was \$244.76.

Mr. JEFFERIS. And yet he put in a claim for how much?

Mr. DICKINSON. Well, the claim that he put in—he got paid for all the material which he furnished for 2,000,000 knapsacks. He had the material there, although it had not been put into process; that is, he had thread sufficient.

Mr. JEFFERIS. He put in a claim for all of the material purchased?

Mr. DICKINSON. That was in order.

Mr. JEFFERIS. What percentage of the cost of that did he take it back at, if he did take it back?

Mr. DICKINSON. He very generously offered to pay twenty-five cents on the dollar. The government refused that offer and took it over themselves. That was less than half the market price at the time, as I recall it.

Mr. JEFFERIS. In other words, as I understand you now, the Long Co. has purchased the material for 2,000,000?

Mr. DICKINSON. Yes, sir; for contract 1757.

Mr. JEFFERIS. Two million knapsacks?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. You paid him for the work that he had done on the material?

Mr. DICKINSON. We paid for such work as he had done on knapsacks which had been started.

Mr. JEFFERIS. And then the Government paid him for the material, the total cost of all of it?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. And he was only willing to allow the Government 25 per cent of what he paid for it?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. So the Government salvaged that; took it over?

Mr. DICKINSON. The Government took it over at cost value to the manufacturer substantiating his cost value by affidavits. And other than those two items that was all that he could agree on on that contract to settle; that formed the basis of settlement on contract 1757, in which he received \$110,138.

Mr. JEFFERIS. So that was really a settlement of the material and work on the material?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. Now, you spoke about the thread—about this thread proposition that he claimed he had purchased, how much thread; 60,000 pounds, I think you said?

Mr. DICKINSON. As I recall it that was the exact amount of his figures.

Mr. JEFFERIS. Well, had he purchased that amount of thread?

Mr. DICKINSON. He claimed that he had.

Mr. JEFFERIS. He claimed that he had?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. And that was to be used in this contract 1757?

Mr. DICKINSON. That was the amount of thread which he claimed was necessary for him to make 2,000,000, was 60,000 pounds of thread, and we disputed that fact and asked him to substantiate his claim.

Mr. JEFFERIS. And as I understand you about 24,000 pounds would make those 2,000,000 knapsacks?

Mr. DICKINSON. Those are the figures based on the figures which he gave us, that we figured out would be required.

Mr. JEFFERIS. And you allowed him 30,000 pounds in settlement, did you?

Mr. DICKINSON. I will have to check that; I think that is correct; that is the amount that we allowed him and allowed the other contractors. Well, I am not able to tell from these figures here the exact amount of poundage allowed him, but referring to Col. Besse's letter in which he states specifically what he would do, and the basis on which this paper was drawn up there, I assume that we did allow him 30,000 pounds. The reason I can not tell you the exact poundage here is because some of the thread is put up on bobbins and others come in gross and you would have to put the bobbins in gross to figure the pounds.

Mr. JEFFERIS. Was this thread expensive?

Mr. DICKINSON. The thread that we paid him for varied slightly; some of it cost \$1.76 to \$1.98.

Mr. JEFFERIS. Per pound?

Mr. DICKINSON. Per pound.

Mr. JEFFERIS. Well now, what became of the difference between the 60,000 pounds that he claimed to have purchased and whatever you allowed him for?

Mr. DICKINSON. He claims it is still in storage in his Framingham place, in his way; that he is still storing it there and is trying to get the Government to take it.

Mr. JEFFERIS. I wonder what made him buy so much of it, if he did buy it?

Mr. DICKINSON. Well, the sizes of thread which he bought were standard sizes and standard specification sizes as called for by the Government, and any contract that he might have with the Government probably those sizes of thread would be called for, and I assume that, owing to the shortage of supplies throughout the country, that he had speculated to the extent of buying up standard-sized thread in anticipation of Government business. I assume that.

Mr. JEFFERIS. You think he was looking ahead in the hopes that he would get more business?

Mr. DICKINSON. Why, in building a factory and buying as many sewing machines as he did without orders to run them, it is apparent that that was his anticipation, of getting business to keep those machines busy.

Mr. JEFFERIS. Then when the armistice came and business ceased and he drew these claims, he wanted to charge this excess material to the Government; is that it?

Mr. DICKINSON. That is practically what it amounted to, in my judgment.

Mr. JEFFERIS. When Mr. Long took your claims board to task, threatening to go to some one else higher up, that you were dealing much sharper than other boards, do you know whether he had any actual experience with other claims boards or not, or was he just talking to make a noise?

Mr. DICKINSON. What contact he had with other departments in adjusting his matters I am not familiar with.

Mr. JEFFERIS. Did you take it that he was endeavoring to intimidate your board so as to get a settlement there?

Mr. DICKINSON. That is the way I personally viewed it. I think Col. Besse—I am of the opinion that that was the view that Col. Besse took of the same matter.

Mr. JEFFERIS. I notice, as I recall it, some time in this meeting of February 10, after your board had declined to allow him some of his claims, he threatened to collect for the facilities and the thread somewhere else; did he say where he was going to collect from?

Mr. DICKINSON. I believe the exact words used was that he would take his chance on being able—I won't say that these are the exact words, but this is the gist of what he said; that he would be willing to take his chances to let Washington be the judge.

Mr. JEFFERIS. Was that the time that he was flashing this letter there claiming to have one from the War Department?

Mr. DICKINSON. That was on February 10, at the conference which I referred to; that was the time that the letter was shown.

Mr. JEFFERIS. Did he state who it was at Washington he was going to take his chances with?

Mr. DICKINSON. No, he did not state how he intended to arrive—how he intended to get settlement. I think he did say that it might eventually have to go to the Court of Claims, but that he would take his chances.

Mr. JEFFERIS. Well now, as I remember your testimony, some of his first contracts the Government had delivered him duck material wide in the piece?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. And under that contract, the first ones, he was to have all waste material?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. So that in the cutting of the first pieces of duck he had considerable of waste of small pieces that he could salvage or dispose of?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. And that would be within the terms of the contract?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. And then afterwards the War Department was successful in getting pieces of duck not so wide, but plenty wide to cut these haversacks out and not leave much waste?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. And so, as I understand you, a part of his claim of \$24,982 was based on the fact that he could not get as much waste material out of this later duck as he had the first, is that right?

Mr. DICKINSON. That is correct, as I understand it.

Mr. JEFFERIS. Do you conceive that that could possibly be made as an honest claim against the Government, Mr. Dickinson?

Mr. DICKINSON. I see no basis for the claim, I see no reason why he should make any such claim. According to the contract he was limited on the amount of duck he could use. In other words, we had a tolerance there. We made an allowance of so much—of such an amount of duck per haversack that he had to cut within and give a tolerance it was our—we tried to arrange to have the duck come so that there would be as little wastage as possible. But owing to the stress of the times we had to take what we could get.

Mr. JEFFERIS. Well, you were not particularly anxious on the part of the Government to furnish him with a whole lot of waste material over and above what was necessary to make the haversacks, were you?

Mr. DICKINSON. It was our purpose to furnish the duck of a width which would cut to the least amount of waste, and by the contract we furnished him with a stipulated amount of duck which he was allowed to use, and further provided that in case he should use in excess of that amount under the contract he would have to reimburse the Government for that which he used in excess of the contract allowance.

Mr. JEFFERIS. Well, your board, I take it, could not see any honest basis to allow him any part of the \$24,982 because he did not get a lot more waste under this later duck than he did before?

Mr. DICKINSON. That particular claim was brought up after I left the service, but it is apparent from the notes here that there was no basis for allowing any such claim.

Mr. JEFFERIS. Do you know whether that is a part of the claim that he still had pending for six hundred and some odd thousand dollars?

Mr. DICKINSON. I understand that it is.

Mr. JEFFERIS. Well now, is there anything in any of these contracts that he had any basis to make the next charge for \$12,623, or any other sum, for transporting employees?

Mr. DICKINSON. Well, this charge too was made after I was out of the service, but apparently the charge has been made on the ground that he should be allowed for costs occasioned by this charge in the specifications.

Mr. JEFFERIS. How could that be allowed; how could you allow for transportation of employees?

Mr. DICKINSON. As I say, this claim was made after I was out of the service.

Mr. JEFFERIS. Well, is there anything in the contract to permit anything of that kind?

Mr. DICKINSON. Not as far as I know.

Mr. JEFFERIS. Well, you also mentioned another amount of \$104,868, extra cost of labor. Now, as I understand you, that matter was taken up with Mr. Long and the specifications were changed, and as a matter of fact the new specifications required less labor than the former one; is that right?

Mr. DICKINSON. That was the opinion of the three other manufacturers who changed their specifications at the same time and in the same manner as Mr. Long's specifications were changed.

Mr. JEFFERIS. Well, when these specifications were changed was there any conversation or talk between the Long Company and you representing the Government as to whether it would require less or more work?

Mr. DICKINSON. Yes; that was gone into fully at the time and it was agreed verbally that it would be of mutual advantage to the Government as well as to the contractor to change from the gusset—

Mr. JEFFERIS (interposing). Well, was that a mutual agreement between the Long Co., and you representing the Government?

Mr. DICKINSON. Yes, sir, it was.

Mr. JEFFERIS. With whom, of the Long Co., were you talking when you had this mutual agreement?

Mr. DICKINSON. Richard Long, jr.

Mr. JEFFERIS. Did you have any talk with the father?

Mr. DICKINSON. No, sir; not in regard to this point.

Mr. JEFFERIS. Did you have any talk with the father as to this claim that was after put into this \$104,868?

Mr. DICKINSON. The actual figures as claimed here were put in after I was out of the service; the fact that he was going to make additional claims, he stated to me. In other words, he stated that he found from their records subsequently that this change in specifications which they had agreed at the time to make were changed, so to speak, that they found that it worked a hardship to them to the extent apparently of \$104,868.

Mr. JEFFERIS. But none of the other contractors making the same knapsacks seem to have the same experience?

Mr. DICKINSON. None of the other contractors made any claim whatsoever for that change, and this figure was not submitted until,

I understand, in May; that is, this definite figure and the actual amount of loss sustained by this change in specifications.

Mr. JEFFERIS. Well, do you think that is a proper charge or an improper one?

Mr. DICKINSON. I think it is improper.

Mr. JEFFERIS. Is that also true as to this \$118,000 facilities?

Mr. DICKINSON. To the best of my knowledge I know of no way in which facilities can be paid for under the terms of these contracts as executed.

Mr. JEFFERIS. Not unless he could get somebody, I suppose, to pass them; some board, or somebody who would have the authority to give him the money.

Mr. DICKINSON. It was ruled in our department that we could not allow that claim.

Mr. JEFFERIS. As I understand you, you had seen these facilities before this contract was entered into?

Mr. DICKINSON. Well, the word "facilities" is a pretty broad word, and I would not go on record as stating that I saw each and every one of the facilities. I did, however, or I was informed by Richard Long, jr., that we did have on hand which they purchased sufficient facilities to give me the deliveries that I required. It was because of this fact that the business was placed there.

Mr. JEFFERIS. You mentioned also a part of this Long claim as anticipated profits. Was there any authority for a person in his company to make a claim for that, that you know of?

Mr. DICKINSON. Not so far as I know; I think there was a ruling from the Purchase, Storage and Traffic Division specifically prohibiting anything—any anticipated profits.

Mr. JEFFERIS. What is the fact, Mr. Dickinson, as to whether or not prior to January 6, 1919, or subsequent to that date, while you were in the service, as to your board making any sharp practices or any unfair treatment toward Mr. Long in any way? Was there any effort on the part of your board to be unfair to him in any way?

Mr. DICKINSON. Not so far as I know.

Mr. JEFFERIS. Well, when he wrote you or Mr. Besse the letter of January 6, had you given him any cause for making such statements to your board other than not just complying with his demands and his claims?

Mr. DICKINSON. None whatever, that I know of.

Mr. JEFFERIS. Did you have any personal conversation with him about that time?

Mr. DICKINSON. Well, I was in touch with the factory practically every day by telephone; both Mr. Long junior and senior were going through New York back and forth from the factory to Washington quite frequently, and I was in close touch with them. I can't say just what the intervals were, but I was in close touch with them all the while.

Mr. JEFFERIS. Do you know of any reason now—any just and honest reason, Mr. Dickinson, why Mr. Long should charge your board with such things as he did in these letters and his conversations to you?

Mr. DICKINSON. I think I have stated my case on each individual article, whether I approved or disapproved of the claim as made.

Mr. JEFFERIS. I say, you know of no reason why he should approach your committee with such threats, or your claims board.

Mr. DICKINSON. I know of no reason.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. Mr. Garrett, anything?

Mr. GARRETT. Major, in dealing with the contracts you dealt with them as formal contracts?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Do you know whether the fact that one of the contracts was not approved by the Washington authorities until after the signing of the armistice would change its character from a formal to an informal contract?

Mr. DICKINSON. The only information I have on that point is that last night coming down on the Federal, the ruling whereby—a statement or ruling subsequent to the time that I got out of the service whereby the fact that that contract was not approved until after the armistice was signed it altered its standing as a contract was made known to me by Richard Long himself. Prior to that time I did not know that was the case.

Mr. GARRETT. All the time you were dealing with it you dealt with it as a formal contract?

Mr. DICKINSON. Strictly.

Mr. GARRETT. And undertook to make a settlement under it as a formal contract?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Under the first contract executed with Mr. Long, the first contract was as I understand, June 19, 1918, for a million knapsacks?

Mr. DICKINSON. Yes, sir; June, 1918.

Mr. GARRETT. That was approved before the signing of the armistice, I take it?

Mr. DICKINSON. I have no data here to prove that it was approved, but I have every reason to believe that it was approved; it must have been.

Mr. GARRETT. Now, was there anything in this settlement growing out of that contract, contract No. 1?

Mr. DICKINSON. Not the way I size the situation up at the present time. This claim which Mr. Long is making now, so far as I can see is based—well, I will have to take that back, because I have just thought of something. Some of these claims date and base back on claim 1426.

Mr. GARRETT. How much of it; I do not care to go into details.

Mr. DICKINSON. I can not give you the—

Mr. GARRETT (interposing). You mean some of the disputed parts?

Mr. DICKINSON. Yes, sir.

Mr. JEFFERIS. Some of the parts that are in controversy date back on that?

Mr. DICKINSON. Yes; such as claims made for change in specifications, you see, were on contract 1426, because it was on that contract that the specifications were changed.

Mr. GARRETT. Do you think of anything else except the change in specifications?

Mr. DICKINSON. Yes; labor charges. You see, he had practically done nothing on the second contract, so that all his claims are really based on the purchase contract.

Mr. GARRETT. Well now, this claim that was before you; is that the claim that was before you, or is that the claim that is pending now?

Mr. DICKINSON. That is the claim that is pending now, but just what that claim is I am not in a position to state.

Mr. GARRETT. As I understand the situation your board and Mr. Long were unable to agree?

Mr. DICKINSON. Exactly.

Mr. GARRETT. In whole; you did agree in part and settle in part?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. On these contracts?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. And after your failure to agree the matter came on to some other board here in Washington?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. And is now pending before that board?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Still in dispute?

Mr. DICKINSON. As I understand it.

Mr. GARRETT. No settlement has been made of it?

Mr. DICKINSON. That is the way I understand it.

Mr. GARRETT. And much of your testimony has been about matters that were really filed before this board after it left you, wasn't it; some of the items concerning which you testified were really never before you as a member of the claims board?

Mr. DICKINSON. I have so testified that the actual figures were submitted after I got out of the service. I knew of the fact that he was going to make claims, but up to the time I left he had not got them in concrete shape, so that they were not presented to me in that form.

Mr. GARRETT. So it was a disagreement between him and your board and by appeal or some other way it got along to another board where the controversy is now pending?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Now, you made reference to the fact that he spoke in some of his letters about your authority being limited; that is, in settlements?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Well, of course; that was true, wasn't it; that is, you were limited to the instructions issued by the War Department?

Mr. DICKINSON. I was limited to the same limits that Col. Besse was.

Mr. GARRETT. Just the same?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. There was no difference?

Mr. DICKINSON. Col. Besse, as I understand it, could not have done any different than I could. I had as much authority to act, having that authority delegated to me by him, I had as much authority—

Mr. GARRETT (interposing). You had to follow instructions, presumably instructions given under the law?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Now, only two contracts were made with Mr. Long; I mean, for these haversacks?

Mr. DICKINSON. Those are the only two contracts that I had anything to do with.

Mr. GARRETT. Now, in a letter which has been put in testimony here, Major, during the examination of Mr. Besse, this letter having been written by Mr. Long, reference was made—and I quote now “an order which was given to us verbally by Maj. Dickinson on September 9 for 2,000,000 gas-mask knapsacks, which order was not later confirmed in writing.”

Were there any negotiations of any character touching a third contract between you and Mr. Long.

Mr. DICKINSON. I will explain briefly the misunderstanding apparently that exists on that point. In order to maintain the schedule of knapsack production, it was a foregone conclusion that the only possible way to do it was to give the manufacturers who had then built up a large production, continuation orders. This was a mutual advantage to the contractor as well as the Government, provided the figures at which they would bid were anywhere near within reason. The Government had to have the knapsacks. The contractors, all of them, were aware of that situation. I told them—they knew the lay of the land practically as well as I did.

I had had difficulty with R. H. Long & Co. in getting deliveries specified under contract 1426. There were many excuses offered for failure to make specification deliveries. Contract 1757 specified double the delivery rate of contract 1426, and if I am not mistaken in the production figures at the time that contract 1426 was canceled they were still behind on their deliveries on that contract. It was, therefore, a constant push on my part to get Long up to the contract delivery rate, and also spur him on in order that he might meet his contract delivery scheduled at the rate that I knew I had got to have them. Now, another point that has a bearing on this case: We were specifically instructed—we could not place business arbitrarily without first getting permission, except as provided in this ruling, which in substance was this, that it was necessary to advertise for bids. This also was known to the R. H. Long concern. I told him that if they would speed up their deliveries they would be in line for a contract for 2,000,000 more knapsacks; that I was going to request them to bid on the same, which I did. All right; they bid. Their bid was 51½ cents, I believe. The other contractors which bid at the same time bid 50 cents apiece, which was less than Mr. Long's bid, and Mr. Long was not awarded the business for that reason. Now, I still needed Mr. Long's services; wanted him to get in line for additional knapsacks; and I told him so. I told him that I was still in the market for additional knapsacks. I also told him what the other contractors had bid, namely, 50 cents. I told him the price of the other contractors' bids and told him if he was going to get additional business he would have to get in line with the other contractors. A very short time thereafter I asked for additional bids, and his bid that time was 45 cents. Then, subsequently, Mr. Long wrote me a letter—a subsequent transaction, that he had bid 5 cents below the other manufacturers. I said I told him that the others had bid 50 cents, but I will take that back, as far as I know, I do not remember if I told him that. But I told him that he would have to get in line any way on prices, and his bid was 45 cents.

Mr. GARRETT. Now, pardon me. Is that on this September 9 matter, or is that on the contract which he got; that 45 cents, is that in the contract—

Mr. DICKINSON (interposing). That is on the contract that he got.

Mr. GARRETT. Now, what I was asking you, Major, was whether—I read there a letter in which a reference was made to a verbal order given by Maj. Dickinson, and what I was trying to find out was whether there was any negotiations about a third order. I am not speaking about those now for which contracts were executed.

Mr. DICKINSON. You see, this verbal order that he speaks of comes in between the two that he did get, and I am trying to explain to you the fact that he was not up to delivery on the first contract, and I was spurring him on for delivery, and how he could expect that he could take two contracts for 2,000,000 each with the deliveries as specified and get anywhere with completing the contracts. Of course, that is open to question, but he bid $51\frac{1}{2}$ cents. The other contractors at that time bid 50 cents, and were awarded the business. No confirmation of that $51\frac{1}{2}$ cents was ever sent to Long by me. And furthermore, I was at his factory within a week, and he was given to understand that the other manufacturers had been awarded business, but that there was still a chance for him to get a continuation order if he would get in line with his prices, and he was subsequently asked to bid. Now, it was only a short while after that that he brought the point up to my attention that in making that price of 45 cents he, of course, assumed that he had a verbal order in the meantime. But I told him at that time that such was not the case, that it was not my understanding of the matter; that I had never confirmed a verbal order and there had never been any communication out of our office in any way substantiating his claim. And nothing more was said about that, from the time that happened, nothing more was said about that claim in any way, shape, or manner until along in January at the time the subsequent claims were being made up.

Mr. GARRETT. Now, what did he bid on the first contract, 1426; I believe that was his first bid?

Mr. DICKINSON. The bid was $52\frac{3}{4}$ cents.

Mr. GARRETT. How did that compare with the bids of the others?

Mr. DICKINSON. I do not think it is quite fair to compare those prices for many reasons.

Mr. GARRETT. Well, I asked you how did they compare?

Mr. DICKINSON. On previous contracts, some 60 cents and some 55.

Mr. GARRETT. Was this bid of Mr. Long's the lowest bid that you had received up to that time?

Mr. DICKINSON. I think it was; I am sure it was.

Mr. GARRETT. What was the lowest price at which they were made at any time during the war by anybody?

Mr. DICKINSON. Fifty cents.

Mr. GARRETT. Fifty cents?

Mr. DICKINSON. Because Long did not get to operate under his 1757 contract.

Mr. GARRETT. He did have a 45-cent contract?

Mr. DICKINSON. He did.

Mr. GARRETT. Under which he did not operate to any great extent?

Mr. DICKINSON. He did, but at the time—

Mr. GARRETT (interposing). What did the Simmons Hardware people get?

Mr. DICKINSON. Well, their first contracts were based entirely on a different basis. They were furnishing a large part of the material which the Government subsequently furnished, so there would be no comparison on the figures. But from the time the Simmons Hardware Co. started, the Government furnishing the material, the contracts that were let were all practically on the same basis.

Mr. GARRETT. Upon the same price?

Mr. DICKINSON. The same price—

Mr. GARRETT (interposing). Considering the materials furnished?

Mr. DICKINSON. Considering the materials furnished and the number of articles in the contract.

Mr. GARRETT. Did you have any trouble in the matter of deliveries with any of the others; did you have to punch them up, too?

Mr. DICKINSON. We had to punch them all up pretty much, with the exception of Phelan & Sons, and Simmons; Phelan & Son, of Lynn, Mass. Rosenwasser Bros., who had a contract, had some Government strikes on their hands involving their shoe industry, and some 1,200 people who were working on my particular work there struck in sympathy, which put him behind his schedule; it was not anything which Mr. Rosenwasser was to blame for in any way so far as I know, and I subsequently had to punch him up to get him back on the delivery.

Mr. GARRETT. Were there labor difficulties, there were, weren't there, labor difficulties at nearly all these plants, weren't there?

Mr. DICKINSON. Yes; with the exception of Phelans; I know of no labor difficulties there. The other three had some difficulty.

Mr. GARRETT. That was true of industrial plants almost everywhere?

Mr. DICKINSON. Yes, sir.

Mr. GARRETT. Well, I think I will stop right there.

Mr. GRAHAM. Anything more, Mr. Jefferis?

Mr. JEFFERIS. No.

Mr. GRAHAM. That is all, Major.

Mr. GRAHAM. Now, gentlemen of the committee, I am in receipt of the following telegram:

BOSTON, MASS., October 26, 1919.

Congressman WILLIAM J. GRAHAM,

Washington, D. C.

I shall be in Washington Monday to refute the malicious and false statements concerning contracts made for political purposes just before election to save Coolidge from defeat. I demand that you show prices of my contracts and those of competitors, which will show that I saved the Government millions of dollars. Bring out the truth and stop your political trickery. You are not fooling the public. Massachusetts voters will not be deceived by your unfair attack on a Massachusetts man who gave up his regular business and devoted his entire resources to help win the war, without regard to personal gain. Why did you, a Republican, publish an attack on a Democrat running for governor and say nothing about the Republican contractors? Why did you not publish the truth of the American Woolen Co. profits and the \$18,000,000 advanced by the Government to that company, one of the big interests, supporting Coolidge? I am breaking political engagements. Please arrange for a hearing for me Monday.

RICHARD H. LONG.

I received this telegram last evening by telephone and this morning it was laid on my desk. I am advised by this telegram and also

by my colleague, Mr. Garrett, that Richard H. Long is present and desires to be heard by this committee. If Richard H. Long, the sender of this telegram is here, and desires to be sworn and submit himself to examination by this committee as to the matters involved in this investigation he will now be given an opportunity.

Mr. LONG. He is here, sir, and would like to testify.

Mr. GRAHAM. You may be sworn, Mr. Long.

(Mr. Long was thereupon duly sworn by Mr. Graham.)

TESTIMONY OF MR. RICHARD H. LONG.

Mr. GRAHAM. Your name is Richard H. Long?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Mr. Long, it has been the custom of this committee in the past in permitting people whose claims were being investigated before this committee to ask them not as any imputation against them, but simply to comply with the law, whether they will waive any immunity that may arise to them by virtue of their testimony; do I understand you to make such a waiver?

Mr. LONG. Yes.

Mr. GRAHAM. I have this telegram, which you have heard me read. I want to ask you whether you are the author of this telegram?

Mr. LONG. That was sent out from my political headquarters in Boston yesterday.

Mr. GRAHAM. Did you sign it?

Mr. LONG. No, sir.

Mr. GRAHAM. Did you know what was in it?

Mr. LONG. I believe I did.

Mr. GRAHAM. And approved it.

Mr. LONG. I approved it, yes, sir.

Mr. GRAHAM. Let the telegram go into the record at this point.

(The telegram referred to is as follows:)

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Washington, D. C.:

I shall be in Washington Monday to refute the malicious and false statements concerning contracts made for political purposes just before election to save Coolidge from defeat. I demand that you show prices of my contracts and those of competitors, which will show that I saved the Government millions of dollars. Bring out the truth and stop your political trickery. You are not fooling the public. Massachusetts voters will not be deceived by your unfair attack on a Massachusetts man who gave up his regular business and devoted his entire resources to help win the war, without regard to personal gain. Why did you, a Republican, publish an attack on a Democrat running for governor and say nothing about the Republican contractors? Why did you not publish the truth of the American Woolen Co. profits and the 18,000,000 advanced by the Government to that company, one of the big interests supporting Coolidge? I am breaking political engagements. Please arrange for a hearing for me Monday.

RICHARD H. LONG.

Mr. GRAHAM. I find also in a clipping from a paper published in Massachusetts the following statement which is quoted:

**CALLS IT POLITICAL TRICK—RICHARD H. LONG DEMANDS RETRACTION AND APOLOGY
WILLIAM J. GRAHAM ON WAR CONTRACTS.**

Richard H. Long, Democratic candidate for governor, following receipt of reports from Washington relative to the investigation by the Graham congressional committee into war contracts of the R. H. Long Co. last night, sent the following telegram to Congressman William J. Graham, chairman of the committee:

"Statements reported made by you about war contracts of R. H. Long are absolutely false and you know it is a political trick. I demand a retraction and apology.

"The statement that \$15,000 was paid for damages on contract dated November 9 is false. No claim was made under that contract except for the cost of materials, with no claim for losses to the contractor. The statement that Long took back leather at half the market value is also false. Any materials retained by contractor was a favor to the Government.

"No decent man would resort to such infamous misrepresentation to deceive the voters just before election. You know you do not intend to have even an investigation."

Are you the author of that interview, Mr. Long?

Mr. LONG. That, I think, was sent out from my campaign headquarters. I do not know that I go quite so far as to authorize—

Mr. GRAHAM (interposing): Is that a quotation from anything you said?

Mr. LONG. I would not say that I go quite so far as that.

Mr. GRAHAM. Was any such telegram sent to me to your knowledge as quoted in this statement?

Mr. LONG. There was a telegram sent; yes, sir.

Mr. GRAHAM. Like this?

Mr. LONG. I would not say it was exactly like that.

Mr. GRAHAM. Who is the author of that?

Mr. LONG. That came from my campaign headquarters as I understand it, but I would not say that that is a correct telegram; a statement substantially like that is correct.

Mr. GRAHAM. Let that go into the record.

(The newspaper article referred to is as follows:)

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OF WILLIAM J. GRAHAM ON WAR CONTRACTS.**

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"No decent man would resort to such infamous misrepresentation to deceive the voters just before election. You know you do not intend to have even an investigation."

Mr. GRAHAM. I am told by one of the reporters here, Mr. Ragsdale by name, that he asked you about lunch time whether you would desire a transcript of the testimony that was offered by certain witnesses in this matter, and that you told Mr. Ragsdale in answer to that that you did not need any, all that you were going to do before this committee was to make a brief statement; is that so?

Mr. LONG. I don't think that is exactly correct. I said that I wanted to make a statement before the committee. I did not say that was all I was going to do. I am ready here to answer any questions that are asked me and give you the information to the best of my knowledge. I want to clear up the statement that has been made that we made exorbitant profits, sir.

Mr. GRAHAM. We will give you ample opportunity to go into everything that has been handled in this investigation. Those are the things we are wanting, is the facts about that. I am willing for the present to overlook the slurs personally, because to inquire into them now would give you the opportunity to say that you are being martyred, which I am not willing to do. We will go into these things very thoroughly, even irrespective of the fact that you have accused me in these telegrams of lies, a thing which ordinarily a man would not overlook.

I do not think I am in a proper frame of mind to examine you fairly at the present time, and I will ask Mr. Jefferis to proceed, and then I will follow him.

Mr. JEFFERIS. Mr. Long, how many contracts did you have with the Government during the war; your company?

Mr. LONG. I should say about 200 contracts.

Mr. JEFFERIS. How many?

Mr. LONG. About 200.

Mr. JEFFERIS. For what materials?

Mr. LONG. Leather and textiles principally, Quartermaster. Ordnance, and Chemical Warfare Service Departments.

Mr. JEFFERIS. Do you know about how many contracts you had with the Ordnance Department?

Mr. LONG. No; I could not tell you that.

Mr. JEFFERIS. Or with the Quartermaster Department?

Mr. LONG. I could not tell you exactly, we had quite a large number with each.

Mr. JEFFERIS. Do you know about what was the total amount of contracts that you had with them?

Mr. LONG. Somewhere between \$30,000,000 and \$40,000,000.

Mr. JEFFERIS. Do you know how many of those contracts had been finished or terminated before the armistice?

Mr. LONG. They were all finished before the armistice except contracts—that is, nearly all contracts—except such contracts as the Government failed to deliver the materials in time.

Mr. JEFFERIS. How many of those were there?

Mr. LONG. I believe there were about—that is, all that were required to be finished at that time. Many of the contracts called for delivery after the armistice; I believe there were unfinished contracts about 90.

Mr. JEFFREIS. Were all of those contracts terminated at the time of the armistice?

Mr. LONG. No, sir.

Mr. JEFFERIS. How many of them were permitted to ride along?

Mr. LONG. Well, the first contracts terminated, which were requested, was the Chemical Warfare Service. They stopped us immediately and threw 1,200 people out of work.

Mr. JEFFERIS. Were those informal contracts, or formal?

Mr. LONG. One, I undersand, was formal, and the other informal.

Mr. JEFFERIS. One was formal?

Mr. LONG. Yes; and the other informal—the other two informal.

Mr. JEFFERIS. Those were procurement orders, were they?

Mr. LONG. I can not undertake to answer in a technical manner; as I understand, there is a different construction on a formal and informal contract, but I believe that one was a formal contract.

Mr. JEFFERIS. What was that for?

Mr. LONG. That was for knapsacks; gas-mask knapsacks.

Mr. JEFFERIS. Do you remember the number of it?

Mr. LONG. I believe that was 1426.

Mr. JEFFERIS. Then an informal contract was one known as—

Mr. LONG (interposing.) Two informal contracts, one 1757 and the other was repudiated afterwards by the Chemical Warfare Service.

Mr. JEFFERIS. Repudiated?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. What do you mean by that?

Mr. LONG. Why, we were instructed to go ahead on that contract after making our bid, and then afterwards we were notified that we were not to have a contract.

Mr. JEFFERIS. Now, as I understand you, you had one contract, 1426, that was a formal contract?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Did you finish that?

Mr. LONG. Nearly finished it.

Mr. JEFFERIS. Nearly finished it?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. But they stopped you from finishing it?

Mr. LONG. Yes, sir; that is it.

Mr. JEFFERIS. Then you had this contract, 1757?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. And they stopped you from completing that?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. And then you claim you had another contract?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. What was its number?

Mr. LONG. It did not get a number.

Mr. JEFFERIS. Never got a number?

Mr. LONG. No.

Mr. JEFFERIS. Well, when was it you claim it was in point of time between the 1426 and 1757?

Mr. LONG. About September 9 we received that order.

Mr. JEFFERIS. How did you receive it?

Mr. LONG. Maj. Dickinson.

Mr. JEFFERIS. In writing?

Mr. LONG. No, sir.

Mr. JEFFERIS. How?

Mr. LONG. He instructed us to prepare and go ahead on it and sent material along to be used on it. I will explain that on the second contract in dispute material was shipped to us before we bid on the third contract, thereby confirming the second.

Mr. JEFFERIS. How much material?

Mr. LONG. Oh, a good many thousands of dollars worth of material.

Mr. JEFFERIS. What kind of material?

Mr. LONG. Duck, webbing; I tried to get from the Chemical Warfare Service information concerning that material, but it was refused. Evidently they—

Mr. JEFFERIS (interposing). Don't you know what you got?

Mr. LONG. We knew what we got to a certain extent, but we did not know the exact time that it was shipped, and we wanted them to give us that information so as to properly prepare our claim.

Mr. JEFFERIS. How did you go about getting it?

Mr. LONG. We requested them to furnish it.

Mr. JEFFERIS. Did they do it?

Mr. LONG. No; they refused.

Mr. JEFFERIS. Whom did you request?

Mr. LONG. Maj. Brown.

Mr. JEFFERIS. Here in Washington?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Did you request Mr. Dickinson or Maj. Besse?

Mr. LONG. Mr. Dickinson was out of the service. I think Col. Beese was out of the service at that time.

Mr. JEFFERIS. Have you any writing at all in regard to this contract that you say was repudiated?

Mr. LONG. Yes; I think we have enough information to show that we had a contract, sir.

Mr. JEFFERIS. With you?

Mr. LONG. No, sir; I will get it for you if you wish.

Mr. JEFFERIS. How many knapsacks do you claim this other contract was for?

Mr. LONG. Two million, sir.

Mr. JEFFERIS. Two million?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. What was the date of the contract 1757?

Mr. LONG. It was some time later, about the 25th, as I recall, of September.

Mr. JEFFERIS. Did you do anything on this contract that you say was repudiated?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. What did you do?

Mr. LONG. Provided material.

Mr. JEFFERIS. The Government did that, didn't it?

Mr. LONG. No, sir; the Government did and we did also.

Mr. JEFFERIS. How is that?

Mr. LONG. The Government provided some and we provided some.

Mr. JEFFERIS. What did you provide?

Mr. LONG. Thread—principally thread.

Mr. JEFFERIS. How much thread?

Mr. LONG. About \$10,000 worth, or more. That thread is now rotting because we have not—because the Chemical Warfare Service has refused to consider and disburse our claims with us.

Mr. JEFFERIS. How is it rotting?

Mr. LONG. It is colored thread, and colored thread rots after remaining a certain length of time.

Mr. JEFFERIS. It is your thread, isn't it?

Mr. LONG. We have it now, but I expect the Government will take it.

Mr. JEFFERIS. What are you letting it rot for?

Mr. LONG. We notified them it was there—we notified them they should take the material. We had our time getting them to take the material. It was only by telling them and urging them how the Government would suffer a loss if they finally settled with us on the material.

Mr. JEFFERIS. Why are you keeping it and letting it rot if the Government says it is not their thread?

Mr. LONG. It was on their contract; we have no other use for it.

Mr. JEFFERIS. Therefore you let the loss of yourself or the Government—

Mr. LONG (interposing). We have tried to get authority from them to sell it.

Mr. JEFFERIS. Couldn't you sell it without authority?

Mr. LONG. No, sir.

Mr. JEFFERIS. Why not?

Mr. LONG. We could sell it, of course—

Mr. JEFFERIS (interposing). You don't think it is a good business proposition to let that thread rot, even if it belongs to the Government, do you?

Mr. LONG. Well, I think it is their place to take it; we have no use for it.

Mr. JEFFERIS. They claim they do not own it, the Government, don't they? Isn't that their position?

Mr. LONG. They refused to discuss the claims with us.

Mr. JEFFERIS. So you thought you would let it rot?

Mr. LONG. No; we notified them, and we hope they will wake up pretty soon and be reasonable.

Mr. JEFFERIS. Well, then, the supposed three claims are the only ones—these three contracts are the only ones that were not completed at the time of the armistice?

Mr. LONG. The contracts with the Chemical Warfare Service, sir.

Mr. JEFFERIS. What other contracts had you that were not completed?

Mr. LONG. We had about 85 other contracts.

Mr. JEFFERIS. What were they for?

Mr. LONG. Quartermaster and Ordnance.

Mr. JEFFERIS. Do you remember what was Ordnance?

Mr. LONG. Well, a good many different—I can furnish you a list of them if you wish.

Mr. JEFFERIS. How is that?

Mr. LONG. I can give you a list if you desire.

Mr. JEFFERIS. Have you settled those contracts?

Mr. LONG. We have settled most of them, sir.

Mr. JEFFERIS. How many claims do you think you have filed?

Mr. LONG. About 80. We have settled about 80 claims.

Mr. JEFFERIS. You have settled about 80 claims?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. They were for uncompleted contracts?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Do you know the amount of claims that you filed?

Mr. LONG. No, sir.

Mr. JEFFERIS. How many million dollars?

Mr. LONG. No, sir; I do not.

Mr. JEFFERIS. Couldn't you give us in a general way, Mr. Long?

Mr. LONG. The amount of—

Mr. JEFFERIS (interposing). The total amount of claims that you filed against the Government?

Mr. LONG. The total amount of claims that have been filed?

Mr. JEFFERIS. Yes, sir.

Mr. LONG. Three million or four million dollars.

Mr. JEFFERIS. Three million or four million dollars?

Mr. LONG. Yes, sir; I should say.

Mr. JEFFERIS. What proportion of those three or four million dollars of claims have been settled, if you know?

Mr. LONG. Nearly all of them.

Mr. JEFFERIS. Nearly all of them?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Do you know how much of a claim you have yet against the Government?

Mr. LONG. No, sir.

Mr. JEFFERIS. Or how many you have?

Mr. LONG. I should say, perhaps somewhere between a half million and a million dollars.

Mr. JEFFERIS. Covering how many contracts?

Mr. LONG. Six or seven, some small number.

Mr. JEFFERIS. Are they in the Ordnance Department?

Mr. LONG. Ordnance and Quartermaster and Gas Defense.

Mr. JEFFERIS. In the claims that you have settled, did they make any claims for special facilities?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. How many million dollars?

Mr. LONG. I believe we got in special facilities somewhere about \$75,000.

Mr. JEFFERIS. Got for that?

Mr. LONG. That is what our claim amounted to; we collected.

Mr. JEFFERIS. How did you claim that; how much did you claim, in the first instance?

Mr. LONG. I think we got about what we claimed; we got all we claimed on our contracts. We did not claim only about half of our loss.

Mr. JEFFERIS. Did you retain any of the materials in these settlements?

Mr. LONG. We retained the material when the Government requested us to do it. They had the privilege of taking it.

Mr. JEFFERIS. The Government had the privilege of taking it?

Mr. LONG. It was their material, and when they requested us to take it we took it in a good many cases.

Mr. JEFFERIS. Do you know about what percentage of the cost you paid for the materials retained?

Mr. LONG. There was a fixed percentage of cost that all contractors were allowed to retain materials at.

Mr. JEFFERIS. Do you know what the percentage was?

Mr. LONG. That varied all the way, I think, from 10 to 75 per cent; some stuff was not good for anything only junk.

Mr. JEFFERIS. From 8 to 10 per cent?

Mr. LONG. Ten to eighty; some was only good for junk.

Mr. JEFFERIS. Some of it had not been touched?

Mr. LONG. Some had not. It was material for which there was no market.

Mr. JEFFERIS. But I say, some of the material you took off the Government's hands was in its original state, had not been touched?

Mr. LONG. It was all in its original state.

Mr. JEFFERIS. Why wasn't it worth more than 80 per cent?

Mr. LONG. No market for it.

Mr. JEFFERIS. What did it consist of?

Mr. LONG. Hardware, eyelets, only good for junk.

Mr. JEFFERIS. Isn't hardware salable now?

Mr. LONG. Not special hardware.

Mr. JEFFERIS. What kind of hardware was it?

Mr. LONG. Buckles, eyelets, and things of that kind.

Mr. JEFFERIS. Do you mean to say that we have quit using those things in this country.

Mr. LONG. There was a good many different kinds of buckles and hooks—

Mr. JEFFERIS (interposing). Well, did you take any duck or thread or anything?

Mr. LONG. Some. We have some on hand now, I have been trying to sell for about six months and have not been able to get what we took it in at.

Mr. JEFFERIS. Who have you been trying to sell it to?

Mr. LONG. Everybody.

Mr. JEFFERIS. You don't mean everybody, Mr. Long?

Mr. LONG. Everybody that would buy.

Mr. JEFFERIS. And none of them would buy?

Mr. LONG. I say, that would buy; we tried to sell anything we have in that way.

Mr. JEFFERIS. Well, did you have any trouble with those claims with the Claims Board?

Mr. LONG. We have not taken any of our claims up with the Claims Board, except one, and we were able to settle all our claims that we had, with the exception of one, with the original board.

Mr. JEFFERIS. With what?

Mr. LONG. With the original or local board.

Mr. JEFFERIS. That is the Claims Board, isn't it?

Mr. LONG. Yes, that is; we took them all up with the Claims Board.

Mr. JEFFERIS. That is what I thought.

Mr. LONG. Yes, sir.

Mr. JEFFERIS. The local claims board was composed of Maj. Besse and Maj. Dickinson here?

Mr. LONG. That was one of the claims boards.

Mr. JEFFERIS. What other claims board was there?

Mr. LONG. The Quartermaster's.

Mr. JEFFERIS. That was a different claims board?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Do you remember how much of contract 1426 you had completed?

Mr. LONG. I believe we had completed about 815,000 out of the 1,000,000. We would have completed all of them only for a change of specifications that required us to reorganize our factory.

Mr. JEFFERIS. In what way?

Mr. LONG. Why, that was a different kind of bag; a larger bag.

Mr. JEFFERIS. How big a bag was this you were making?

Mr. LONG. I believe we took about two-thirds of a square yard of duck.

Mr. JEFFERIS. In other words, it would not be a very big bag, would it?

Mr. LONG. Not quite as large as that (indicating a leather file case lying on the table).

Mr. JEFFERIS. How is that?

Mr. LONG. About 12 by 14; something like that.

Mr. JEFFERIS. About 12 by 14?

Mr. LONG. Yes, sir; I should say so. May be a little smaller.

Mr. JEFFERIS. And the Government was furnishing you all of the material for those bags, were they?

Mr. LONG. No, sir; the Government was to furnish the duck and some of the hardware and the webbing, and we furnished the thread and rivets and some of the other materials.

Mr. JEFFERIS. Of course, the thread would not be any ways near as bulky as the duck and the others?

Mr. LONG. No, sir.

Mr. JEFFERIS. You were making them for about what; 50 cents, about, apiece?

Mr. LONG. Our first contract was 52½ cents, 7½ cents less than any other contractor took that first contract.

Mr. JEFFERIS. Fifty-two and three-fourths cents?

Mr. LONG. Yes, sir; 7½ cents less than any other contractor took that first contract.

Mr. JEFFERIS. When did you take that first one?

Mr. LONG. About the 1st of July.

Mr. JEFFERIS. How long before that had any other contractors taken any?

Mr. LONG. Six or eight months, or more.

Mr. JEFFERIS. Before that?

Mr. LONG. Some time before that; we were the last contractors.

Mr. JEFFERIS. You were the last contractors?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Well, what were the other contractors making them for at the time you entered the game?

Mr. LONG. I think 55 and 60 cents.

Mr. JEFFERIS. You think they were charging more than you were?

Mr. LONG. Every contractor got more on that than I did.

Mr. JEFFERIS. How do you know that?

Mr. LONG. Because I seen the prices.

Mr. JEFFERIS. Who told you?

Mr. LONG. I seen the prices and the records and discussed the matter and was present at the time when the bids were opened.

Mr. JEFFERIS. Well, do you know of any contracts entered into at the time you first got this?

Mr. LONG. Of this kind?

Mr. JEFFERIS. Yes, sir.

Mr. LONG. I don't know it now, but you could easily find them out; I can furnish that information if you would like to have it.

Mr. JEFFERIS. Have you got it here?

Mr. LONG. No, sir.

Mr. JEFFERIS. How long would it take you to get it?

Mr. LONG. A few days.

Mr. JEFFERIS. You entered into the knapsack business in June, 1918?

Mr. LONG. Well, this kind of knapsack, I think the first order we took was in June or July; about the 1st of July, as I remember it.

Mr. JEFFERIS. Had you made some other knapsacks?

Mr. LONG. Oh, yes.

Mr. JEFFERIS. What instrumentalities were needed to make knapsacks?

Mr. LONG. Well, we needed the factory and sewing machines and sufficient knowledge of the business.

Mr. JEFFERIS. Well, what other equipment besides sewing machines?

Mr. LONG. Sewing machines, riveting machines, and printing presses and various other things.

Mr. JEFFERIS. Did you make any other knapsacks for any other government than the United States?

Mr. LONG. We did in the past, yes.

Mr. JEFFERIS. Early in the war?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Then you did not have to get any machinery, I take it, to make these for the United States?

Mr. LONG. Oh, yes; we used different kinds of machinery for the British knapsacks.

Mr. JEFFERIS. Different kinds of sewing machines?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. What difference?

Mr. LONG. There was much leather attached to it; we used heavier machines; leather attached to it, and heavy duck.

Mr. JEFFERIS. What kind of machines did you use to make these knapsacks?

Mr. LONG. We used principally what they call the 1641 Singer sewing machines.

Mr. JEFFERIS. When did you put up your factory?

Mr. LONG. The factory that we built?

Mr. JEFFERIS (interposing). Knapsack factory?

Mr. LONG. Our main factory was built in 1907, the one we did the largest amount of business in. Another factory we bought, and another factory we built in 1917, finished the early part of 1918.

Mr. JEFFERIS. Then you did not really build any factories for these knapsacks that you got a start into in June?

Mr. LONG. We built it as a reserve to be prepared to take care of any Government work, supplied it for that purpose.

Mr. JEFFERIS. I know, but you built it before you got these contracts?

Mr. LONG. Oh, yes.

Mr. JEFFERIS. So you were anticipating business, then?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. But in your claims you placed in there the building as a part of your claim?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Why did you do that?

Mr. LONG. Because the contracts were canceled.

Mr. JEFFERIS. I know, but you built the buildings before you got any contracts?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Why should you place a claim against the Government then for any part of the building?

Mr. LONG. Because we had a contract and they canceled it.

Mr. JEFFERIS. Now, you were anticipating your profits then; is that what you are basing your claim on?

Mr. LONG. Not anticipated profits, but protection from loss.

Mr. JEFFERIS. Then it is damages you claim for canceling the contract, is it?

Mr. LONG. Compensation for loss.

Mr. JEFFERIS. How could there be any loss on a thing that you did not buy particularly for that contract after it had been given you?

Mr. LONG. We never undertook to apply our equipment to any particular contract.

Mr. JEFFERIS. Then why should you charge it against any particular contract?

Mr. LONG. We charged it against all of the contracts.

Mr. JEFFERIS. Against all of them?

Mr. LONG. Against all that were canceled.

Mr. JEFFERIS. I know, but as I understood you a moment ago you had built that building before you had any of these contracts?

Mr. LONG. Yes, sir; in anticipation.

Mr. JEFFERIS. That is the basis of your claim in so far as the building is concerned?

Mr. LONG. What is the basis of my claim?

Mr. JEFFERIS. That you had anticipated and built a building before you got the contract?

Mr. LONG. We did not make any claim for anticipating. We claim we supplied these for Government contracts, and when they failed to go through with us we made claim for our losses.

Mr. JEFFERIS. In other words, pay for the building?

Mr. LONG. No; not pay for the building; compensation for the loss on it.

Mr. JEFFERIS. Well, do you understand that the Government under the law is authorized to pay you for such losses?

Mr. LONG. I understand that the Government, or any contractor, is disposed to compensate a man for a loss when the Government breaks a contract. We did not ask them for half of our loss.

Mr. JEFFERIS. You did not ask for half?

Mr. LONG. No; not half.

Mr. JEFFERIS. Why didn't you ask for more?

Mr. LONG. We let them do about as they pleased.

Mr. JEFFERIS. How is that?

Mr. LONG. We let them settle about the way they wanted to settle.

Mr. JEFFERIS. It wouldn't hurt to ask for more, would it?

Mr. LONG. Some people might do business that way; I never have, sir.

Mr. JEFFERIS. Did you, you think, ask for about half of your loss?

Mr. LONG. I think we asked for about half of our losses.

Mr. JEFFERIS. And how about the other half?

Mr. LONG. We have not asked for that.

Mr. JEFFERIS. And you waived about half of your loss and did not ask for it?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. And then you asked for the other half and the Government has not allowed it?

Mr. LONG. With the exception of the Chemical Warfare Service; they were so unreasonable that we put in a blanket claim; they refused to consider our claim and in order to get in under the Dent law—I believe it is the Dent law—we put in a blanket claim.

Mr. JEFFERIS. When did you put that in?

Mr. LONG. We put that in here; they were very unreasonable; would hardly receive it.

Mr. JEFFERIS. Would hardly—

Mr. LONG (interposing). Hardly let us in.

Mr. JEFFERIS. I wonder why?

Mr. LONG. They had a lot of young fellows in there and ignorant of the business.

Mr. JEFFERIS. Seemed to be afraid of the claim, did they?

Mr. LONG. I don't know.

Mr. JEFFERIS. Didn't want to let you file it?

Mr. LONG. No; that is the only time I got a lawyer in the case, was to go down and see that that claim was filed.

Mr. JEFFERIS. Well, you did file your claim in January?

Mr. LONG. All the other claims I was able to negotiate personally.

Mr. JEFFERIS. Didn't you file this claim down here in January?

Mr. LONG. Only in part. We were trying to get them to take away the material that was spoiling.

Mr. JEFFERIS. When you filed it in January it was sort of a blanket claim?

Mr. LONG. No; they had a peculiar set of rules and regulations they wanted us to conform to, and we could not see any way to conform to their particular kind of rules.

Mr. JEFFERIS. Why?

Mr. LONG. So we put in a claim for some of the material we had.

Mr. JEFFERIS. Why could you not conform to their rules and regulations—why couldn't you conform to the rules and regulations of the Claims Department?

Mr. LONG. Because they were very peculiar.

Mr. JEFFERIS. In what way?

Mr. LONG. I would not undertake to describe. We filed our claims in a way that we thought was a regular way.

Mr. JEFFERIS. Well, the Claims Board had a claims circular, didn't they?

Mr. LONG. Nothing like the Chemical Warfare Service; I did not find anything else like that.

Mr. JEFFERIS. Didn't they have Circular 111?

Mr. LONG. As I understand, they did not work out under Circular 111.

Mr. JEFFERIS. Didn't Maj. Dickinson and Maj. Besse take that up with you; Circular 111?

Mr. LONG. Why, I don't know that Circular 111 was referred to, but they did, as I remember it, they had a lot of different colored blanks all together different from any other department.

Mr. JEFFERIS. You mean different in color or different in verbiage?

Mr. LONG. Different in every way.

Mr. JEFFERIS. How about the contents?

Mr. LONG. The contents were different. They had kind of an iron-clad Prussian rule that must be followed whether you could fit into it or not.

Mr. JEFFERIS. So you could not get your claim up, according to that?

Mr. LONG. No; we did not try. That is, we did not try to get it exactly according to their rules.

Mr. JEFFERIS. Is that because you could not have been allowed anything under their rules?

Mr. LONG. Oh, no.

Mr. JEFFERIS. How is that?

Mr. LONG. Oh, no; we could have got something under their rules.

Mr. JEFFERIS. You think you could have got something under their rules?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Do you know what percentage of your claim?

Mr. LONG. No, sir; it was so unreasonable.

Mr. JEFFERIS. You know those rules and regulations were gotten out by the War Department Claims Board?

Mr. LONG. They may have been; they were different from the other departments.

Mr. JEFFERIS. You thought they were sort of foolish rules, did you?

Mr. LONG. I thought they were quite peculiar.

Mr. JEFFERIS. You did not care to file any claims to conform to those?

Mr. LONG. In my opinion they did not know much about business in that department anyway; I did not think we would get a square deal with them. The only thing I tried to have them do was to take the material away and save the Government a loss on it. I tried to explain to them the loss in the change of specifications but they were too dense to understand it.

Mr. JEFFERIS. They had somebody at your service, at the time you were doing these contracts, did they?

Mr. LONG. Yes, sir; they had a young man there.

Mr. JEFFERIS. You knew when the changes in specifications were made, did you?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. That required less work, didn't it, under the new specifications?

Mr. LONG. No, sir; quite a good deal more.

Mr. JEFFERIS. In what way?

Mr. LONG. We had to teach a new crowd of people all the way through.

Mr. JEFFERIS. Teach them what?

Mr. LONG. Teach them how to make the knapsacks.

Mr. JEFFERIS. It didn't take long to teach them how to sew up a knapsack on a sewing machine?

Mr. LONG. I would like to have you come and try it and see.

Mr. JEFFERIS. If I could run a sewing machine I ought to be able to run a seam up.

Mr. LONG. You might.

Mr. JEFFERIS. How long did it take to teach them?

Mr. LONG. As I remember, it cost us something over \$100,000, I consider, on account of the changed specifications.

Mr. JEFFERIS. Who did you have to teach?

Mr. LONG. All the employees.

Mr. JEFFERIS. Men or women?

Mr. LONG. Both. And they wanted those right away; and they wanted us to keep up the schedule, so we had to put a lot more people on, because we delivered; we were not like some people, we delivered on our schedule on that order.

Mr. JEFFERIS. Did you keep the schedule all the time?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. All the time?

Mr. LONG. Yes, sir; on that order. We were ahead on that order.

Mr. JEFFERIS. That was what?

Mr. LONG. 1426. In spite of the change in specifications we delivered as many more by the 1st of November as we were required to deliver up to the 1st of December.

Mr. JEFFERIS. What kind of claim did you file, or did you file any before that claims board?

Mr. LONG. Yes, sir; for the material; we did.

Mr. JEFFERIS. Was that in January?

Mr. LONG. That is the claim that they settled with us.

Mr. JEFFERIS. Well, the one that they did not settle, when did you file that?

Mr. LONG. Oh, we filed several claims; we did the best we could.

Mr. JEFFERIS. You did the best you could, but they would not settle with you, is that it?

Mr. LONG. Yes; and as we went along we learned more. We had a lot of contracts to settle. We could not keep them in our minds. We did the best we could to get them to settle up and make everybody happy.

Mr. JEFFERIS. The claim board did not get happy on some of these?

Mr. LONG. The first claim settled was for all of the leather under the contracts; they said that was the best settlement made since the war.

Mr. JEFFERIS. I know, but that is the ones you did settle?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Now, the ones you did not settle, they did not get happy on?

Mr. LONG. No; I do not think they would get happy anyway.

Mr. JEFFERIS. You would think they were naturally unhappy, do you?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. When was this you filed this claim in Washington, \$641,000?

Mr. LONG. That was a blanket claim, just about the last day so as to save our rights.

Mr. JEFFERIS. Do you mean late in June?

Mr. LONG. Yes, sir; I think so.

Mr. JEFFERIS. You just thought you would put it in in blanket form?

Mr. LONG. To protect our rights, we thought sometime there would be someone that would be reasonable and discuss the claims with us.

Mr. JEFFERIS. They haven't become that way yet?

Mr. LONG. No.

Mr. JEFFERIS. Have you seen any indications of it or not?

Mr. LONG. No; I think when they get out of the service and somebody of business experience gets in they will.

Mr. JEFFERIS. Now, according to these witnesses here you seem to have threatened at different times to go over their heads and go to Washington?

Mr. LONG. That is what instructions we had from Washington in circulars, to first take it up with the claims board, and if you did not get it settled, then to take it to another claims board, and if you did not get it settled, then the next place was to the board of contract adjustment.

Mr. JEFFERIS. Did you take it up with the contract adjustment board yet?

Mr. LONG. No; because we did not get by the second board.

Mr. JEFFERIS. You did not get by the first one, did you?

Mr. LONG. Oh, yes; we did.

Mr. JEFFERIS. On this claim you have now?

Mr. LONG. We got by them and tried to take it up, and they would not discuss it.

Mr. JEFFERIS. What did you do then?

Mr. LONG. We tried from time to time to get them to be reasonable and discuss it with us.

Mr. JEFFERIS. Did you have a letter up there before one of the boards from the Secretary of War?

Mr. LONG. I had a letter from the Secretary of War.

Mr. JEFFERIS. Have you got that with you?

Mr. LONG. No, sir.

Mr. JEFFERIS. Did you show it to the claims board?

Mr. LONG. I will tell you what the letter was. Stating that in case—it was along the lines of the circulars, stating it was the policy if you could not agree with the board, in order to allow material to be saved to make a partial settlement.

Mr. JEFFERIS. Who gave you that letter?

Mr. LONG. That was signed by Secretary Crowell, as far as I remember. I showed it to Col. Besse in New York, and then on the strength of that he did make that partial settlement. I do not believe we would have got that partial settlement from him except on the strength of that letter, and we tried to get the rest.

Mr. JEFFERIS. Have you taken this up with Assistant Secretary Crowell yet?

Mr. LONG. No, sir.

Mr. JEFFERIS. You haven't taken it up with the War Department Claims Board?

Mr. LONG. I am unable in the regular course to get to them.

Mr. JEFFERIS. Why?

Mr. LONG. Because the instructions are to go in the regular course, and Maj. Brown refused to give us the information.

Mr. JEFFERIS. You had the information yourself, didn't you?

Mr. LONG. Well, we wanted the information to properly present our claim for the second contract, which was not confirmed.

Mr. JEFFERIS. Was not confirmed?

Mr. LONG. Yes, sir; in writing.

Mr. JEFFERIS. Well, if you had your contract you would not need anything from Maj. Brown's section in order to set up your claim, would you?

Mr. LONG. We would have to have Maj. Brown's approval.

Mr. JEFFERIS. Now, as a matter of fact, weren't you trying to get information the Government had, if any, about that transaction?

Mr. LONG. Yes; we wanted the information. We did not think the Government wanted to keep anything secret and deprive us of our rights. We did not think the Government wanted to cheat us.

Mr. JEFFERIS. Didn't you keep track of the material they sent you?

Mr. LONG. Yes; but we wanted to know when they sent it. We wanted to know whether they sent that material to us before we bid on the first contract, and they were holding it—

Mr. JEFFERIS (interposing). Did you get it before you bid on the third contract?

Mr. LONG. Some of it; but we wanted the whole story.

Mr. JEFFERIS. Well, if you got some of it, wouldn't that be enough for you to make more than a blanket claim?

Mr. LONG. Well, we were blocked in it by Maj. Brown.

Mr. JEFFERIS. He stands between you and all progress, does he, on this claim?

Mr. LONG. Just at the present time, I think he is the man that is stopping things.

Mr. JEFFERIS. What reason does he give you for blocking you, Mr. Long?

Mr. LONG. He is too autocratic to give us any reason.

Mr. JEFFERIS. He contends that the claims should be filed with some other board and come up to him, does he?

Mr. LONG. The other board is gone; out of business.

Mr. JEFFERIS. You had a claim filed before, then, didn't you?

Mr. LONG. Yes, sir; before they went out of business.

Mr. JEFFERIS. What became of it?

Mr. LONG. We had a partial settlement on that.

Mr. JEFFERIS. Couldn't you take this up and follow it up?

Mr. LONG. He refused to do anything about it.

Mr. JEFFERIS. When did he do that?

Mr. LONG. I saw him several times.

Mr. JEFFERIS. You have seen him several times?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. And he still stands firm, does he?

Mr. LONG. The last time I heard from him he was just the same.

Mr. JEFFERIS. What reason does he give you?

Mr. LONG. He doesn't give any reason.

Mr. JEFFERIS. Doesn't he claim it is an unjust claim, Mr. Long?

Mr. LONG. No; he did not say so to me. It does not make any difference whether it is unjust or not. There might be some difference of opinion on that. A reasonable man—

Mr. JEFFERIS (interposing). He does not claim then, that it is unjust, does he?

Mr. LONG. So far as I know he has said nothing about it on that line.

Mr. JEFFERIS. Well, you did have those claims up with Maj. Beese and Maj. Dickinson, didn't you?

Mr. LONG. Yes; we discussed them somewhat.

Mr. JEFFERIS. What did they say about it?

Mr. LONG. They didn't understand much about it. I could not see them about it. They could not even see there was twice as many rivets in the new knapsack, nor that we used twice as much thread. They could not see that we should have the pay. Absolutely ridiculous their attitude was. In all my experience in business I never saw their equal.

Mr. JEFFERIS. They couldn't see your way at all, then?

Mr. LONG. They could not see a plain fact.

Mr. JEFFERIS. Did you get angry at them?

Mr. LONG. Once when Col. Besse was very insulting I talked back to him. I do not get angry.

Mr. JEFFERIS. Do you have in your claim now a sum of money, claiming for transporting employees up there?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Where were you transporting them?

Mr. LONG. From Boston; Boston to Framingham and other places.

Mr. JEFFERIS. Which contract was that?

Mr. LONG. 1426.

Mr. JEFFERIS. That is settled, isn't it?

Mr. LONG. No, sir.

Mr. JEFFERIS. Why is it claimed that you are entitled to transportation—

Mr. LONG (interposing). Change in specifications, in order to make delivery we were obliged to take extraordinary measures. We were obliged to keep deliveries, and we were obliged to call in other men.

Mr. JEFFERIS. Did you tell them at the time these changes came that it would cost more?

Mr. LONG. No, sir; we supposed they would know it.

Mr. JEFFERIS. Did they agree with your factory that there would not be—

Mr. LONG (interposing). Absolutely not; untrue.

Mr. JEFFERIS. You and your son, either one?

Mr. LONG. No such statement was ever made; it is absolutely untrue.

Mr. JEFFERIS. As a matter of fact, it was easier to make the new knapsacks under the new specifications than it was before the change?

Mr. LONG. No, sir; it cost a good deal more.

Mr. JEFFERIS. Why?

Mr. LONG. In time, if it was important enough, we could present to you our pay roll showing absolutely—

Mr. JEFFERIS (interposing). I do not care about the pay roll. I want you to tell me why.

Mr. LONG. It was different; like teaching a blacksmith to be a carpenter.

Mr. JEFFERIS. Just changing a little specification in the knapsack?

Mr. LONG. It was quite a good deal.

Mr. JEFFERIS. What change was it?

Mr. LONG. A different size; cut in a different way; put together in a different way. If you were a factory man you would see the difference when you undertake to make an article different.

Mr. JEFFERIS. Well, was it a better knapsack?

Mr. LONG. I do not know whether it was better or not. It took more material. That story—while we are speaking of that, I would like to tell you in regard to the waste. The duck was all the same width as I understand..

Mr. JEFFERIS. The same what?

Mr. LONG. The same width, and we made a contract for these knapsacks and then they gave us a larger one.

Mr. JEFFERIS. A larger knapsack?

Mr. LONG. A larger knapsack; that is, the specifications changed the size of the knapsack so instead of getting a larger piece of duck with a selvage on it, it was taken away and that is why we put in that claim for the difference.

Mr. JEFFERIS. Did the contract provide what size they were to furnish you?

Mr. LONG. The contract was we would make it out of a certain piece of material.

Mr. JEFFERIS. About two-thirds of a yard?

Mr. LONG. Yes, sir; and then they changed the size of the knapsack, and the contract was we were to keep the wastage, and they changed it, and it was not so valuable.

Mr. JEFFERIS. How could you put in a claim against the Government because there was not enough waste when you cut these knapsacks?

Mr. LONG. On the original knapsack there is a piece about 3 inches wide with a selvage, and when they changed them we did not get that; that is a valuable piece of material.

Mr. JEFFERIS. How much did you figure it on this little piece of material?

Mr. LONG. I think we lost, that the loss to us was something like \$20,000 or \$25,000. We figure closer than our competitors; that is why we made a lower price. We figure all those things.

Mr. JEFFERIS. As a matter of fact your competitors got the 50-cent knapsack before you did, didn't they?

Mr. LONG. Fifty cents?

Mr. JEFFERIS. Yes.

Mr. LONG. No; we got down to 45.

Mr. JEFFERIS. I know, but they got to 50 before you did?

Mr. LONG. No; they had 55. We offered to take our second contract at 51 and a fraction.

Mr. JEFFERIS. Do you think they were getting the waste too; were they getting the small piece of duck?

Mr. LONG. I do not know what they were doing; I was not running their factory.

Mr. JEFFERIS. Did they give you at any time Circular 111 to prepare your claim?

Mr. LONG. We have had Circular 111.

Mr. JEFFERIS. How is that?

Mr. LONG. We have had Circular 111.

Mr. JEFFERIS. Why didn't you prepare your claim pursuant to that circular?

Mr. LONG. We did.

Mr. JEFFERIS. You did?

Mr. LONG. We did.

Mr. JEFFERIS. I thought you said that was the one you did not want to comply with?

Mr. LONG. Oh, no; I said they had a peculiar form under which they wanted us to make our claim.

Mr. JEFFERIS. Oh, it was the form of the contract?

Mr. LONG. The form for making out the claim.

Mr. JEFFERIS. You wouldn't use that?

Mr. LONG. We could not see our way clear to use it.

Mr. JEFFERIS. Didn't you use it in any other cases?

Mr. LONG. No, sir.

Mr. JEFFERIS. Didn't you put in your claims on the forms prescribed by the Department in any of these cases?

Mr. LONG. All the others have reasonable forms. We did not see how we could use these forms.

Mr. JEFFERIS. Now, did I understand you that your campaign manager up there got up two forms of telegrams; one that you sent to Mr. Graham and the other that you gave to the newspapers in Massachusetts?

Mr. LONG. I understand that there were two telegrams sent.

Mr. JEFFERIS. How is that?

Mr. LONG. Two telegrams were sent, as I understand it.

Mr. JEFFERIS. Who to?

Mr. LONG. I could not tell you that.

Mr. JEFFERIS. Do you mean to say that you sent two to Mr. Graham, chairman of this committee, or just one?

Mr. LONG. I believe there were two sent to him.

Mr. JEFFERIS. How is that?

Mr. LONG. I think there were two sent to him.

Mr. JEFFERIS. He has only gotten one, and the other seems to have gotten into the Massachusetts papers. Can you tell how that happened?

Mr. LONG. No; I thought he got two.

Mr. JEFFERIS. How is that?

Mr. LONG. I understood your chairman to say that he got two.

Mr. JEFFERIS. No; he has one here published in the Massachusetts papers and the other came by wire. Was the idea in having one published in Massachusetts for home consumption, and the other sent here to the chairman?

Mr. LONG. I guess not.

Mr. JEFFERIS. How is that?

Mr. LONG. I don't think so. I should say it was the fault of the telegraph service if he did not get them.

Mr. JEFFERIS. You think the telegraph people sent one to the newspapers and one to Mr. Graham, do you?

Mr. LONG. I did not say what they did. I say if he did not get them it must have been the fault of the service.

Mr. JEFFERIS. Your contracts, I take it, haven't anything relative to cost-plus in them, in any way?

Mr. LONG. No, sir; I do not recall that I ever took a cost-plus contract from anybody.

Mr. JEFFERIS. You never took a cost-plus contract?

Mr. LONG. I do not recall that I ever did; I do not believe in it.

Mr. JEFFERIS. Did you charge any other item of labor against the Government, men and women, other than this circumstance of transportation that you speak of?

Mr. LONG. On that particular contract?

Mr. JEFFERIS. Yes.

Mr. LONG. We charged all the additional cost.

Mr. JEFFERIS. Did you charge any cost of labor of any other contract?

Mr. LONG. I do not recall that we had any other contract where we put in a claim for a change in specifications. I had one in the leather division where we might have had a very large claim for a change in specification, but we did not put it in.

Mr. JEFFERIS. You paid the fares for those people?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Back and forward from Boston, is that the idea?

Mr. LONG. Yes, sir; that is the idea.

Mr. JEFFERIS. Did you pay them anything else other than their railroad fares?

Mr. LONG. I don't remember.

Mr. JEFFERIS. Did you keep an itemized statement of that?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. When did you finally cease work on the Government work?

Mr. LONG. Well, we were practically out of the Government work about the 1st of January, except that our factory had been tied up with the material until about the 1st of July; we were not able to get into business to any extent until about July 1.

Mr. JEFFERIS. Did you have any trouble with labor in your shops?

Mr. LONG. No, sir; not any amount of trouble; maybe once in a while a little for a few people.

Mr. JEFFERIS. About what time in the year was it that you stopped paying fares for these men and women?

Mr. LONG. About the time of the armistice when we stopped work.

Mr. JEFFERIS. Did you have any trouble with union labor in your shops then?

Mr. LONG. We never had any trouble with labor at any time.

Mr. JEFFERIS. Were your shops unionized?

Mr. LONG. Not at that time.

Mr. JEFFERIS. At any time of the year?

Mr. LONG. Yes; our shops usually are, but in making the military supplies there was no regular set of employees.

Mr. JEFFERIS. I believe that is all I want to ask now.

Mr. LONG. I would like to put in this statement I have here.

Mr. JEFFERIS. What statement?

Mr. LONG. This statement I have here to read.

Mr. JEFFERIS. You had better wait until we get through examining you, and then if there is anything that is not covered—

Mr. LONG (interposing). Mr. Chairman, I came here not to cross-examine particularly. I came here to correct a statement th

we had charged the Government exorbitant profits. I think I am entitled to put in this statement.

Mr. GRAHAM. After the committee has concluded its examination, if you have a statement that covers matters that were omitted, it may be proper, but not at this time.

Mr. LONG. Then you refuse to allow me to put in the statement?

Mr. GRAHAM. No, sir; I have said that after the committee has finished with your examination, if you have a statement that covers matters not covered in your examination you will be permitted to offer it.

Mr. LONG. If you decide then that it covers matters that are proper it may go in, but if not, it will be refused?

Mr. GRAHAM. That will be up to the committee. If the committee thinks it is permissible it will go in, and if not, it will not go in. The matters you may want to put in may be brought out by Mr. Garrett or myself.

Do you care to proceed now, Mr. Garrett. You may do so, and then I will ask him some questions, and then you may ask any further questions if you care to do so.

Mr. GARRETT. I would like to ask first, before I decide that question, I would like to ask him if he has examined the testimony given before this committee by Col. Goetz and Mr. Bennett?

Mr. LONG. I have glanced it over hastily.

Mr. GARRETT. A part of Mr. Bennett's testimony is specific. It brings up specific contracts and to my mind that is the material thing concerning this. Let me see your statement.

Mr. LONG. This is one [handing papers to Mr. Garrett]. I have been charged with charging exorbitant profits in this work we have done for the Government during the war. And I have two letters from men in charge of different divisions that I want to put in with it, and I want to put them in to-day. If I do not, I will put them into the newspapers.

Mr. GRAHAM. There is no necessity for a person making a statement of that kind if they are here to testify. I have already told you that after we are through I will give you an opportunity to put in if it contains matters not covered in your examination.

Mr. GARRETT. Mr. Long, did you have any misunderstandings with Col. Goetz at your factory while this contract was in process?

Mr. LONG. Not exactly misunderstanding.

Mr. GARRETT. This is a very short statement.

Mr. LONG. I have a letter from Geo. F. Smith in charge of purchasing—

Mr. GARRETT (interposing). This is a very short statement; you may read it.

Mr. GRAHAM. Just wait a moment.

Mr. LONG. I welcome this opportunity—

Mr. GRAHAM (interposing). Just a moment; nobody else has seen this but you.

Mr. GARRETT. I have not read it in full.

Mr. GRAHAM. Let the rest of the committee see it.

Mr. GARRETT. Certainly. I assume the responsibility for permitting the witness to read it in my time while I am examining.

Mr. GRAHAM. Some duties devolve on the chairman of the committee which is, of course, subject to the approval or disapproval of

the committee. I do not think any statement on the part of this witness is proper now until he has concluded his examination; then if it is not covered he can introduce it. The way to bring out evidence is by examination. The chair will have to rule, unless overruled by the committee, that it is not competent at this time.

Mr. GARRETT. I understand you are prepared to make this statement on oath, are you, Mr. Long?

Mr. LONG. Yes, sir.

Mr. GARRETT. There is a reference in the beginning which says that statements have appeared in the Boston and other newspapers purporting to be made with the authority of the chairman of the committee. Of course, Mr. Chairman, I have not seen any statements from the chairman of this committee. I only know by hearsay—and I suppose there is no objection to my saying that I understand from the chairman that he gave out some interview, I do not know what kind of interview it was—prior to the time of taking any testimony. Whether the chairman was correctly quoted, of course, I do not know, because naturally I do not know anything about that. But it seems to have been published in such a way as that it made the impression in Massachusetts that allegations of wrongdoing were laid against Mr. Long by the chairman of the committee in an official way. Whatever interview there was, was given out before a line of testimony has been taken before this committee, or so far as I know, before the Long contracts had ever been mentioned before this committee.

It was a statement general in character, and I think it is not improper that in any inquiry of this sort and in statement of this sort that the witness be permitted to respond in general, provided his language is courteous and carries no reflection or attacks upon the committee. Of course, if there is anything of that sort in here I would not ask that to go in. But if it is simply a statement of fact, I insist that it is right and fair and the square thing to do to put it in, and I respectfully appeal from the decision of the chair.

Mr. JEFFERIS. It seems to me, Mr. Chairman, if the witness here claims that he did not make any profits in these contracts that those are matters that can all be brought out on examination without putting in a dissertation here or a speech about the thing; if he knows what his contracts were and that he made profits or that he did not make profits he ought to be able to testify about it. This statement, as I see it, anyhow, is on a matter trying to raise an issue on something that was in some newspaper and making some comparison with other contracts. Now, the others may have made big profits, too. I don't know. We have not got into those yet. The gist of the inquiry is profits, and the witness is here, and certainly he can tell this committee or show his books what profits he did make.

Mr. GRAHAM. The question is, Shall this statement be received at this time? Those of the committee who are in favor of receiving it will vote aye; and those who are not in favor of receiving it now will vote no. Mr. Clerk, call the roll.

(The clerk thereupon called the roll, and Messrs. Graham and Jefferis voted no, and Mr. Garrett voted aye.)

Mr. GRAHAM. The statement will not be received at this time.

Now, you may proceed, Mr. Garrett.

Mr. GARRETT. Mr. Long, what character of contracts did you have; for what kinds of material?

Mr. LONG. Leather and textile.

Mr. GARRETT. Name some of the articles that you made?

Mr. LONG. Haversacks, cartridge belts, bridles, saddle bags, canteen covers, breast collars.

Mr. GARRETT. What character of labor did you have at the beginning of your contract?

Mr. LONG. Men and women.

Mr. GARRETT. Skilled or unskilled?

Mr. LONG. Both.

Mr. GARRETT. Did you have any labor that had any great experience in making the articles that you were making?

Mr. LONG. We had some labor that had experience.

Mr. GARRETT. Your business is regularly that of a shoe manufacturer, isn't it?

Mr. LONG. We manufacture shoes and shoe machinery; and we made equipment for the British Government in 1915.

Mr. GARRETT. What character of equipment?

Mr. LONG. Knapsacks and things of that kind.

Mr. GARRETT. Did you make any harness?

Mr. LONG. It was quite similar to harness; heavy leather belts, quite similar to harness goods.

Mr. GARRETT. It has been stated before this committee that the amount of contracts on which you filed claims for damages and settlements amount to \$10,407,090.40; do you remember whether that is—

Mr. LONG (interposing). I should say that is approximately correct.

Mr. GARRETT. Do you recall what you delivered on it?

Mr. LONG. I think—

Mr. GARRETT (interposing). And those upon which you have filed?

Mr. LONG. No; some of the contracts were pretty well completed and some not completed.

Mr. GARRETT. Do you recall the value of the canceled contracts?

Mr. LONG. That would be the same; the value of the canceled contracts would be the same as the value or the amount of the claim.

Mr. GARRETT. It is stated that you charged for the maintenance of your factory \$73,448.82; what did that item consist of? I mean, what did that charge consist of?

Mr. LONG. That consisted of the operating expenses of the factory and the carrying charges running from the time until we could get back into business.

Mr. GARRETT. In other words, somewhat in the nature of rent while you were cleaning up?

Mr. LONG. Yes; rents and carrying charges; interest on capital.

Mr. GARRETT. Mr. Long, you have heard the testimony here about these special facilities. I wish you would give the committee a specific statement about this matter of special facilities that you have charged.

Mr. LONG. The special machinery bought for war contract that cost about \$620,000. When we turned over we took down all our

regular machinery and put it in storage until the last of the war and used our entire plant for the purpose of making war supplies.

Mr. GARRETT. Well, what character of machinery did you buy?

Mr. LONG. Sewing machines, machines that have not—that is, the principal machine we bought was the 1641 machine; I think we have about 3,000 of those machines, and they cost us \$125,000. We have called upon people to get out of them something like \$15,000. That was one type; there were a great many other types.

Mr. GARRETT. Have you been allowed anything on special facilities?

Mr. LONG. Yes, sir.

Mr. GARRETT. But a part is in disagreement?

Mr. LONG. I beg pardon?

Mr. GARRETT. A part of your claim for that is in disagreement still?

Mr. LONG. On the gas defense there is no part.

Mr. GARRETT. Just on the special facilities in connection with the gas defense?

Mr. LONG. Yes, sir.

Mr. GARRETT. Now, it has been stated here that there was a contract for ration bags, given on April 15, 1918, marked in the contract "Urgent need" and was to be completed 25 per cent in September, the same in October, November, and December. There was nothing done on this contract at all. The whole thing was canceled, and Mr. Long got \$10,091.67 for canceling. The Government got \$325, the things which Mr. Long did not use in his future work, and Mr. Long got \$16,700 worth of raw materials, and he allowed the Government for it \$133.33. What you have to say about that statement?

Mr. LONG. That contract was delayed through the fault of the Government; they failed to furnish us materials in part, and in part the material furnished was unfit to use, so they held us up under that contract.

Mr. GARRETT. By the way, could you give the committee about the percentage of rejections, what per cent was out of Government-furnished material and what part out of material that you furnished?

Mr. LONG. The Government inspectors would not reject any material furnished by the Government hardly. They would take anything.

Mr. GARRETT. I am talking about finished products made out of the material furnished by the Government; did they reject any of those?

Mr. LONG. When the Government furnished the material they would take things very inferior.

Mr. GARRETT. What about this statement that Mr. Long got \$16,700 worth of raw material, and he allowed the Government for it \$133.33?

Mr. LONG. Well, I don't think that is correct.

Mr. LONG. Well, I don't think that is correct. I can't conceive how—that is an untrue statement.

Mr. GARRETT. That is page K 17. Are those contracts here?

Mr. GRAHAM. Yes; they are all here in the office.

Mr. GARRETT. I think it might perhaps aid the witness.

Mr. GRAHAM. What is the number of that contract?

Mr. GARRETT. I don't know. It is not given. Ration bags, and then the next is rifle-belt contracts.

I am going to pass over some of these until we get the contracts, but I want to ask you about some of the cutting of material here. Here is the statement:

Mr. BENNETT. 20,000 ration bags complete, amount of contract is \$97,000. He—

That is, meaning Mr. Long—

takes the sum of \$4,200 as a premium for having taken that contract and held it until the Government canceled it, and then he charges the Government for 33,004 square feet at 50 cents per square foot, \$16,700, and he allows a salvage value on it of \$11,133.33.

Back in this other part of it—I guess there is where that error was. It appears the salvage value was \$11,133. Then some washers, and so forth, were turned back to the value of \$325.

Now, Mr. Bennett undertook to figure out for the committee what amount of leather it would take to cut certain latigo strings from. He says:

All that I can find in regard to latigo leather on the ration bag calls for 10 little pieces or thongs. There are four of them $\frac{1}{2}$ of an inch wide by 52 inches; there are four that are $\frac{1}{4}$ inch wide by 84 inches; two that are $\frac{1}{2}$ by 304 inches. The actual square inches in these thongs amount to 944 square inches. That is all the thongs it takes. Multiplying by 20,000 of those units and we have 1,888,000 square inches of actual leather that it would take. I don't want to discount Mr. Long at all. I suppose in cutting latigo leather into thongs there would be 15 to 20 per cent wastage in the height, although we do cut them in small circles and with very little waste. That number of square inches reduced to feet net 13,930 square feet of latigo leather used in the manufacture.

Now he states that was the amount that would be required, and that you charged the Government back with 34,400 square feet.

Mr. LONG. He is misrepresenting the situation. If he knows anything about latigo leather he knows that to cut those strings, they must be cut straight and you could only use a certain part of the hide, the best part running from the tail at the back up toward the shoulder, only a square piece, and all the rest is waste. Now the leather provided on that has only the allowance that is allowed at the Rock Island Arsenal, and whatever we got on that we turned over to the subcontractor. That is an absolute misrepresentation. We were not allowed and we did not ask to cut those strings in circles. It would not be satisfactory.

Mr. GRAHAM. Gentlemen, we will have to go to the floor of the House now. It is evident we are not going to get through to-night. We can conclude this in the morning, however, and will do so. I suggest that we defer further examination until 10 o'clock, and that we proceed then with this matter. The committee stands adjourned until 10 o'clock to-morrow morning.

(Whereupon, at 5.20 p. m., the committee adjourned until 10 o'clock a. m., Tuesday, October 28, 1919.)

SUBCOMMITTEE NO. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Tuesday, October 28, 1919.

The subcommittee met pursuant to adjournment at 10 o'clock a. m.,
Hon. William J. Graham (chairman) presiding.

Present, also Hon. Albert W. Jefferis and Hon. Finis J. Garrett.
Mr. GRAHAM. The committee will be in order. Mr. Garrett, you
may proceed.

TESTIMONY OF MR. RICHARD H. LONG—Resumed.

Mr. GARRETT. Mr. Long, when the committee adjourned yesterday
afternoon I think I was making some inquiries about the contract
for ration bags?

Mr. LONG. Yes.

Mr. GARRETT. I do not recall just exactly the stage of your answer.
Had you concluded? I had asked you what you had to say in
regard to the testimony that had been taken.

Mr. LONG. I would like to make a statement at this time about the
telegram which was sent to the chairman of this committee.

Mr. GRAHAM. What is the question?

Mr. GARRETT. Mr. Long interrupted to say that he would like to
make a statement at this time about the telegram which was sent to
the chairman of the committee.

Mr. GRAHAM. Well, that is all right; he may proceed.

Mr. LONG. I wish to withdraw that part of the statement charging
that the chairman of this committee knowingly made any false state-
ments. I can see now that, relying on testimony like that of Mr.
Bennett and information, I should not have included that in the
telegram.

Mr. GARRETT. Had you concluded all you desired to say about this
ration-bag contract and the settlement therefor?

Mr. LONG. The statement of Mr. Bennett that we did nothing on
that contract is untrue. We received on that contract from the
Government \$42,357.40 worth of material. We furnished on our
own account a considerable amount of material, and we were at
large expense in preparation for carrying on that contract, particu-
larly owing to the fact that the Government failed to deliver all
the parts of the material that were necessary to carry on the contract.

Mr. GARRETT. The next contract mentioned by Mr. Bennett is that
for belts for rifles, dated May 10, 1918.

Mr. LONG. What is the amount of the contract?

Mr. GARRETT. The amount of the contract is—well, 15,000 belts. Then there is a second contract for rifle belts, dated June 20, 1918. Well, what have you to say about that first contract?

Mr. LONG. On all the belt contracts we were delayed on account of the failure of the Government to furnish material. In many cases we loaned the Government material of our own so that deliveries could be made. We were at a large loss to ourselves all the way through because of the failure of the Government, and in order to overcome that loss and to assist in supplying the needs of the Army we went out into the market and purchased, many times at much higher cost, materials in order to keep our factory running. In many cases we were obliged to instruct several different sets of operators, owing to the fact that we had to shut down departments, all on account of the failure of the Government to carry out its part of the contract.

Mr. GARRETT. Do you state that that situation is true is true with regard to either or both of these contracts for belts for rifles?

Mr. LONG. Yes; the Government was very much behind on both the contracts, and particularly on hardware, for rifle belts.

Mr. GARRETT. The next contract mentioned here is a contract for cartridge belts, dated April 4, 1918, delivery to be made 25 per cent to be made in September, October, November, and December, respectively. Nothing done on that, so Mr. Bennett says.

Mr. LONG. What is the number of that contract?

Mr. GARRETT. The number is not given. I have not the numbers of these contracts in any instance. If we had that sheet before us that Mr. Bennett used, perhaps it might tell us.

(The sheet referred to was produced and spread on the committee table.)

Mr. GARRETT. The statement is that he gets for cancellation \$2,677.45. That does not seem to be it, if that is the case, because this states \$3,722 for cancellation. Here is another item of cartridge belts. This is it, I assume, because the amount given for cancellation is the same. That is No. 5949-4049EQ.

Mr. LONG. I find we received \$1,840 on that.

Mr. GARRETT. Well, the particular question there is, what was done on that contract, if anything?

Mr. LONG. We received from the Government \$18,139.90 of material. That, with all other of the cartridge-belt contracts, was delivered as fast as the Government furnished us with the material. We were at a great loss in all of those contracts on account of the failure of the Government. It was first one thing and then another that they failed to deliver.

Mr. GARRETT. Do you know whether on this particular contract any work had been done on the material furnished? Had it been partly prepared, or do you know how that is?

Mr. LONG. We received and cared for their material and supplied material of our own, and held facilities for carrying it out when the Government did furnish their part of the contract.

Mr. GARRETT. The next contract to which the attention of this committee was directed in the testimony of Mr. Bennett was a contract for artillery bridles, dated May 3, 1918, to begin on June 1, 700 per month, and to be completed November 1, the amount of the

contract being \$16,158.10. Apparently that is No. P7208-4578EQ. It is stated that that was canceled but marked "standard allowance."

Mr. LONG. We were waiting on them for material. I will say that on all these bridle contracts we suffered a great loss, beginning with the first that we had, for 100,000 bridles. The Government delayed us so that we were obliged to instruct several different sets of operators, and although they agreed to furnish the material, they were unable to do so, and at their special request we went out into the market personally and bought material, and we were given a supplementary contract to allow us to purchase the material because they were unable to get it. That caused a delay on all the subsequent contracts for bridles.

We also, at the request of the Government, discontinued manufacturing many different articles, to take up the making of such other articles as the War Department were badly in need of. Our factory was in a state of constant change, in order to carry out their requests, and we suffered excessive losses. On that particular contract I believe they never furnished the material necessary for us to go ahead with it.

Mr. GARRETT. The next contract mentioned is one upon which work was done, seems to be a contract for chapes, \$18,959.36 being the amount of the contract, the number being P10415-5622.

Mr. LONG. If I remember, the Government furnished the material for that contract, and then the delay was because the material furnished was, at their request, used on other contracts. There was a continual shortage of webbing, and, in order to help out on that shortage, we undertook to supply new facilities, and went to the expense of several hundred thousand dollars trying to build and develop plants to manufacture webbing. We have not received any compensation, whatever, up to the present time, for that large expenditure.

Mr. GARRETT. Now, the next contract mentioned in the testimony of Mr. Bennett is the contract for pannier pack-saddles, 10,000, the amount of the contract being \$455,000, the number of it being—it seems to be P770-4822EQ. The statement is that nothing was done on that contract, that the Government took over the material; that he turns over amounting to \$91,771.96, and Mr. Long retains \$92,780.53, and pays for it \$43,222.80.

Mr. LONG. That statement is absolutely untrue. We had \$20,928 of parts and parcels. A large amount of material was turned over to the United States, and then partly or all retained by the contractor. That was an article that had not been made in this country, except to a very small extent. We spent an immense amount of money in developing equipment to produce this article, and we also worked with the department so that other contractors later would have the benefit of our experience. It was an absolute loss to us, and the amount we received did not begin to compensate us.

Mr. GARRETT. The statement is that you retained—

Mr. LONG. Excuse me. The leather on that contract that we retained was afterwards sold at a loss by us.

Mr. GARRETT. You mean that you sold the leather that you retained on that contract at less than you paid the Government for it?

Mr. LONG. Yes.

Mr. GARRETT. What character of leather was that?

Mr. LONG. Black harness leather. We also, on that contract, like all the others, carried them along for five or six months, so that what money we did get was only worth 50 cents on the dollar of what it would have been worth if we could have received payment at the time of, or soon after, the armistice.

Mr. GARRETT. Now, another contract that is referred to here is one for—apparently these must refer to contracts upon which nothing was done. He states as follows:

Traces for artillery horses and harness, \$130,155.99. Cruppers, \$261,256.80.

Are you able to follow it as I am reading? I am taking them as a lump as they are given in the testimony. Traces for artillery horses, first. Then, cruppers, \$261,256.80. Breast collars, \$184,744. Artillery bridles, \$312,500. Tool kits, \$18,683. Tool kits again, \$24,652.57. Covers for breach-lock mechanism arrangement, \$47,826.90. Surgical appliances, under date of November 9, 1918, \$85,530.

What have you to say about those contracts generally?

Mr. LONG. Why, I should say regarding the black harness leather contracts, which those numbers refer principally to, that we lost on those contracts several hundred thousand dollars, because the specifications called for leather by the ounce, and the inspectors required delivery of leather by thickness. The reason for that was that the Government allowed the manufacturer of harness leather to put a much larger amount of grease and oil in the leather than usual. Notwithstanding we had those losses, which amounted to several hundred thousand dollars, we went ahead and delivered according to the requirements of their inspection, and we did not make a claim for reimbursement owing to their change in the specification.

On those particular contracts we did furnish the greater part of the material ourselves, and had it on hand waiting for the Government to deliver their parts that they were supposed to furnish. We had immense losses all along the line. We were practically at all times ready and able to carry out our part of the agreement, and the Government absolutely failed in many cases to carry out their part.

In particular, concerning that contract for surgical appliances, that statement is absolutely unfair and made out of whole cloth. That is, in that contract we did not ask anything from the Government to reimburse us for any of our losses or expenses in connection with the order.

The statement that the order was taken on November 9 is a misleading statement. While the contract was signed on or about that time, the order was given to us many months before that, and the material bought by us and supplied, and the only thing we asked on that contract was for the Government to take away the material and pay us what we paid for it. In that case, as in others, the Government requested us to take the material at an allowance. In that particular case we have suffered all the loss of carrying the material.

We did finally make an agreement, six months later, under the contract and they made us an allowance, but we still have the material on hand and are unable to sell it up to the present time at what we took it from the Government for. Then, again, if we got the same amount of money down it would only be worth about 50 cents

on the dollar. If we could have received payment at that time for the material, we could have put our money into other materials and not lost, but we have actually incurred a loss of not less than \$25,000 on account of that contract.

Mr. GARRETT. What character of material is that?

Mr. LONG. Colored duck, largely—colored duck and some small articles of hardware, like eyelets, for which there is no value except the price of junk.

Mr. GARRETT. You say you had bought this material some time before that upon verbal order?

Mr. LONG. Yes; we had many verbal orders, and in many cases went ahead and made things before we had received the order—the written order.

Mr. GARRETT. So that, if I understand you, the date of the contract does not in all cases represent the time—

Mr. LONG. No.

Mr. GARRETT. When the work actually began?

Mr. LONG. No.

Mr. GARRETT. Or was supposed to begin?

Mr. LONG. In many cases contracts were taken and work done and even deliveries were made before the written contract was signed.

Mr. GARRETT. What is this duck material used for commercially?

Mr. LONG. It has no commercial use, so far as I know, except for Army purposes.

Mr. GARRETT. Was it treated in any way?

Mr. LONG. It is an olive drab color. It can not be recolored very well. It is almost impossible to recolor olive drab duck.

Mr. GARRETT. What was the character of the leather generally that you took over?

Mr. LONG. The leather was either black harness leather or strap leather. All the leather, nearly, was for military purposes and had no real commercial value except as a substitute for some leather that was of much lower cost.

Mr. GARRETT. Could any of this leather which you took over be used in your regular business of making shoes?

Mr. LONG. Some of it; but we only replaced leather that could be bought at a much less price. For instance, strap leather that cost about 80 cents a foot we are using as a substitute for split leather that at that time we could buy for 15 cents a foot. We incurred extensive losses on all the leather that we took back from the Government.

Mr. GARRETT. Is that true of the latigo leather?

Mr. LONG. That is true of the latigo leather in this respect, that if we could have received our money we could have put it into other leather at that time. Owing to the advance in the price of latigo leather, I think we did come nearer getting out even on latigo leather. If we could have received our money for these goods so as to buy other leather at the same time that the agreements were being negotiated, in some cases we might have had no losses, and there might have been some profit. Taking it as a whole we lost on all of our leather.

Mr. GARRETT. I believe I have asked you about the cutting of this leather. Mr. Bennett figured out the number of square inches that ought to be required. Did you testify about that yesterday afternoon?

Mr. LONG. I think I did. I would be glad to say, further, that Mr. Bennett's story that those laces could be cut is absolutely untrue. Those laces were required of a certain size, and they had to be sewed, and they could only be cut out of the best part of the hide; for instance, from the back and tail of the hide up about half way toward the head; so that the allowances of the amount that we should purchase were according to the Rock Island Arsenal figures. As a matter of fact we were unable to apply to the contracts all of the latigo leather that we had. We purchased, in order to protect the Government, a little in excess of the amount of our orders, and for that reason we made considerable losses that we had to pay to subcontractors for which there was no chance for us to get recompensed from the Government.

Mr. GARRETT. Another contract is P6773-4373EQ, for magazine carriers for a French machine gun, dated May 27, 1918, to be completed July. It is stated that on that certain deliveries were made. Did you receive cancellations for \$19,453.46?

Mr. LONG. That was an article to carry ammunition for a French gun, and we went ahead at large expense and fitted up to manufacture that ammunition carrier.

The Government was supposed to furnish the duck on that, to carry out that contract. They failed to do it, and it was delayed, and our production was delayed so that we had to shut down and then start up again. Then finally they directed us to stop production altogether on it. So we had all that material of our own and the Government's to take care of, and altogether the Government failed badly to do their part, and we had excessive losses in carrying the material. We finally disposed of it at a loss to ourselves.

Mr. GARRETT. The statement is here that on that contract you charged back leather, on one item, 33,534 square feet, on another 99,101 square feet, and another item 300 square feet, totalling 132,935 square feet of leather. The testimony continues, according to the figures made by Mr. Bennett, that allowing for wastage—well, first he estimates that there would be actually in the article 44,458 square feet, and allowing 50 per cent for wastage there would be twice that amount—88,900 square feet. What have you to say about that?

Mr. LONG. I would say that he is wrong in his estimates. The amount of leather applied on that contract was only what was required to carry out the order.

Mr. GARRETT. It is stated that you charged back 132,900 square feet, and took it at 50 per cent discount. Have you anything to say about that?

Mr. LONG. The leather was taken back by us, I believe, at 50 per cent of its cost, and we carried it more than a year and were unable to even get an offer of the amount we took it in at, until some time in August of this year. If we could have sold it at the time we took it over—if we had sold it at the time the arrangement was made we would have lost a number of thousand dollars. The only reason we did not lose was the increase in the general price of leather during the six months following. We asked the Government to take it from us; we preferred to have them take it, because there was no market for that leather at that time.

Mr. GARRETT. What character of leather was that?

Mr. LONG. It was russet shoulders and bellies.

Mr. GARRETT. What was that suitable for commercially?

Mr. LONG. No commercial use except for some purpose where a very cheap kind of leather would be used that would be worth much less in price. One reason for requiring more than the usual allowance is that all these shoulders and bellies are irregular pieces and would not cut as closely as the sides.

Mr. GARRETT. You say that is one reason for requiring more than the amount that apparently was required. Is there any other reason?

Mr. LONG. No; that is all. If we had bought strap leather such as might be used for that—regular commercial strap leather and sides—it would have cost about 100 per cent more for the leather. This leather was prepared especially to make an ammunition carrier that would be strong and serviceable and at a reasonable cost.

Mr. GARRETT. Another contract is for feed bags, No. EX64. The statement is:

In making up his claim on this, Mr. Long has charged 14,900 latigo thongs one-half inch by 30 inches at 15 cents apiece. This latigo leather is at a higher price than I have ever seen it. The schedule is for 53 cents. This price would make that cost the Government \$1.20 a pound when cut into those thongs. The operation is very simple. He was allowed 15 cents for each thong, or over twice the actual value of the leather, and I think that any man who is familiar with cutting thongs would bear me out in saying that the labor cost of cutting the thongs was very slight and could not enhance the value of from 53 cents to \$1.20 a pound by merely slitting up into thongs.

Mr. LONG. That statement shows—is that Mr. Bennett's statement?

Mr. GARRETT. It is.

Mr. LONG. It shows that Mr. Bennett is ignorant of the practical cutting of leather. That leather also had to be cut out of the back in a straight line and out of the best part of the leather.

Mr. GARRETT. A little louder please, Mr. Long.

Mr. LONG. Those thongs had to be cut out of the back and side, and it meant a large amount of waste.

Mr. GARRETT. What is latigo leather?

Mr. LONG. It is a special tannage of leather. It is almost like a rawhide, used for strings and laces. It is required to have a good deal of strength and suitable to stand the weather test.

Mr. Garrett, wouldn't it be possible to get before this committee information showing the comparative costs of cancellation of the orders that I had as compared with all other contractors, either contractors on the same kind of goods or other contractors?

Mr. GARRETT. Have you that information?

Mr. LONG. That information can be procured, and I think it will show—I suppose this committee wants to get at the truth, and that will show, I believe, that we canceled our contracts at a less cost to the United States Government than any other contractor in the United States, and that we sold our goods at lower prices than any other contractor. I think that in justice to me, particularly at this time when I am a candidate for governor, that that matter should be brought out, and brought out immediately, without any delay. I request that that information be presented so that the committee may have it.

Mr. GARRETT. You have not the information yourself?

Mr. LONG. I have not the information myself, but I understand that it can be secured without delay from the War Claims Board, and I assume that this committee has no intention to persecute a man running for office, and I believe that that information will clean up this hearing so that you will not need to take up any more time.

Mr. GARRETT. I believe there were canceled something over \$10,000,000 of contracts of yours, as it developed in the testimony here yesterday afternoon?

Mr. LONG. Yes.

Mr. GARRETT. Now, do you recall what you received on those cancellations?

Mr. LONG. As I understand, the cost of all cancellations, the total cost to the Government, was less than 9 per cent.

Mr. GARRETT. Now, let us see just what you mean by that, Mr. Long. Do you mean that you had at the time of the signing of the armistice contracts formal and informal, unexecuted, amounting to something over \$10,000,000?

Mr. LONG. Something like that. It would depend on how you figure the contract. Some of our contracts called for a certain price to be paid us, but we also had to take care of Government material on those contracts, so that if you figure the full value of that material in addition to the amount paid to us for what we furnished, that would make a larger amount than if you simply figured the face of the contracts. In the adjustment of contracts where a unit allowance was figured it was made on a basis of the labor and overhead charge, so that if a contract provided that the Government furnished the material, but the value of that material was not made a part of the contract, you would have a different aggregate value of the contract. It might be said we had \$10,000,000 or more contracts that were suspended or canceled.

Mr. GARRETT. I do not know that I understand the technicalities of that matter, but let me see if I am right. If these contracts had been concluded you would have received, under the terms of those contracts, something in excess of \$10,000,000. Am I right about that?

Mr. LONG. Yes; on the contracts, but not those——

Mr. GARRETT. I am referring to the ones that were not completed. I mean, if they had been completed and deliveries made would you have received something over \$10,000,000, or do you know?

Mr. LONG. Yes; I think we would.

Mr. GARRETT. And you say those were settled at——

Mr. LONG. They were not all settled.

Mr. GARRETT. Not all settled?

Mr. LONG. No.

Mr. GARRETT. For those that were settled you received what per cent?

Mr. LONG. Why, the cost to the Government was less than 9 per cent for canceling those that have been canceled.

Mr. GARRETT. Does that include materials, facilities——

Mr. LONG. I understand that includes everything, yes.

Mr. GARRETT. That is all I think of right now, Mr. Chairman.

Mr. GRAHAM. I sent over to the War Department at 3 o'clock yesterday for the ordnance contracts made between R. H. Long & Co.

and the Government, and have not been able to obtain them yet. I have just asked the clerk to tell them that if they did not have them up here in an hour I would send a subpoena for them.

That concludes the completed contracts. These are all uncompleted?

Mr. GARRETT. No; I beg your pardon; these are not all uncompleted. He just picked out the ones——

Mr. GRAHAM. I just wanted the ones that were uncompleted prior to the signing of the armistice. I can go ahead awhile with those.

Mr. GARRETT. That will not contain, will it, the information in full suggested by Mr. Long just now as to a comparison of his settlements with other settlements?

Mr. GRAHAM. No. So far as a comparison of his settlement with other settlements is concerned, I do not see how that throws any light on the matter that this committee is trying to find out, namely, whether the expenditures that were made on these contracts were proper or improper, or whether they were reasonable or otherwise, and whether these settlements that he now has pending are settlements that ought to be made by the Government.

I am entirely willing to do anything that will throw any light on his contracts and his particular end of it, but I am at a loss to understand how it would help this committee, whose jurisdiction pertains to ordnance, to go into a comparison between what he made and what somebody else made. If the War Department are able to furnish that information, they are able to furnish it with a good deal more ease than anything they have furnished heretofore about the matter. I do not see how it is possible to do so, in view of the fact that there are something like six or seven thousand claims that have been filed in the War Claims Board. But as soon as we get done here, if the committee desires to go into it, of course we will go into it.

Mr. LONG. Mr. Chairman, may I say a word?

Mr. GRAHAM. Yes.

Mr. LONG. I understand that in the War Claims Board, from time to time as they go along, they have a record showing the comparison of costs on all the contracts, so I think you can get that information not only on all contracts and all of our competitor's contracts, on this division, but on all divisions, and you will see that the cost on my contract is very much less, not only than competing contractors, but in this particular division that you are working upon—this leather and textile division—the cost of adjusting the contracts is only a small fraction of what it is in many of the other divisions.

Mr. GRAHAM. That may be true. I do not know anything about that. We have not gone into that, and of course we could not. The field is too extensive for us to cover everything; but, after all, the matter before this committee is to find out what your profits were and whether they were greater than they should have been. Now, that matter I think we can go into here, and if we find we have not got enough we can go further with it and get the information you suggest.

Mr. LONG. May I ask a question?

Mr. GRAHAM. Well, yes.

Mr. LONG. Will you give me information as to whether you gave out a statement concerning my contracts before this hearing to the press?

Mr. GRAHAM. Which hearing do you refer to, sir?

Mr. LONG. A statement reporting that we received exorbitant profits?

Mr. GRAHAM. Well, you will have to show me the statement before I will state anything of that kind.

Mr. LONG. Will you state whether you made any statement?

Mr. GRAHAM. Well, so far as—this is not an examination in which you are supposed to be asking the questions.

Mr. LONG. Well, I am an American citizen asking for justice.

Mr. GRAHAM. Well, you will get justice before you get through with it.

Mr. LONG. But it may be after election.

Mr. GRAHAM. You will get it to-day, sir. If you will answer the questions that are being asked you will probably find out before you get done with this whether justice can be administered or not.

Mr. LONG. Thank you.

Mr. GRAHAM. As I understand you, the principal thing you are complaining about here is that you claim you did not make exorbitant profits out of these contracts of that character?

Mr. LONG. Yes, sir; that is one of the things.

Mr. GRAHAM. Now, if it is for the committee to say whether out of these contracts you made exorbitant profits, I assume you will concede that it ought to be proper for this committee to investigate your financial condition now as compared with the beginning of the contracts, would you not?

Mr. LONG. I do not think you could do that; no. I do not think you have a right to investigate my financial condition.

Mr. GRAHAM. How can this committee ascertain what profits you have made unless you are willing to disclose to the committee what you had before and what you have now as derived from this business?

Mr. LONG. I am willing to disclose what we made.

Mr. GRAHAM. Yes? Well, that is the proposition this committee will go into. Now, at the beginning of the war, at the outbreak of the European War, did you have a factory?

Mr. LONG. Yes, sir.

Mr. GRAHAM. What were you doing; what was your business?

Mr. LONG. I had a shoe factory and machinery factories, manufacturing shoes and machinery, and I had retail stores all over the eastern part of the United States.

Mr. GRAHAM. Where was your factory?

Mr. LONG. Framingham, Mass.

Mr. GRAHAM. How large a factory was it?

Mr. LONG. Why, one of the factories was 500 feet long, a five-story factory.

Mr. GRAHAM. What was the other one?

Mr. LONG. Three other buildings for the manufacture of machinery.

Mr. GRAHAM. Do you know the total amount that had been expended in the construction of those factories? That is, what they were worth at that time?

Mr. LONG. I should say the factories and real estate—perhaps a million or a million and a half.

Mr. GRAHAM. Well, do you know what your return for taxation was, the State taxation, on that factory and grounds?

Mr. LONG. No.

Mr. GRAHAM. Can you find out for this committee?

Mr. LONG. Yes.

Mr. GRAHAM. Will you do so so that we can have it before this hearing is concluded?

Mr. LONG. Well, I could not say that.

Mr. GRAHAM. Can't you get into communication with the tax authorities at Boston or Framingham by telephone and find out?

Mr. LONG. I do not know. I want to get through to-day.

Mr. GRAHAM. Are you willing to do it?

Mr. LONG. I will do the best I can.

Mr. GRAHAM. So that you can report after our recess here what the taxable value was. Now, did you give that same plant in for local taxation this last year? Of course, it was on the tax books, was it not?

Mr. LONG. Yes.

Mr. GRAHAM. Will you also ascertain what the taxable value of that same property is for the present year, so that this committee can tell?

Mr. LONG. I will get that information, as far as I can. I do not see how that—

Mr. GRAHAM. Well, I will get around to that after a while. Now, did you build any additions to that factory during the war?

Mr. LONG. Not to that factory. We built additional factories.

Mr. GRAHAM. Where? In Framingham?

Mr. LONG. Yes.

Mr. GRAHAM. How many?

Mr. LONG. We built one; we built one factory.

Mr. GRAHAM. How big a factory?

Mr. LONG. It cost a little over \$200,000—and bought another factory.

Mr. GRAHAM. What sort of a factory was the one you bought?

Mr. LONG. A wooden factory; a five-story factory.

Mr. GRAHAM. What did it cost?

Mr. LONG. It cost about \$75,000.

Mr. GRAHAM. You paid for it, of course?

Mr. LONG. Yes.

Mr. GRAHAM. And the \$200,000 factory is paid for, is it?

Mr. LONG. Yes.

Mr. GRAHAM. Now, are you willing also to disclose to the committee what your personal return for taxation was immediately before the beginning of the European war and before the entrance of the United States into this war? That is, for the years 1913 and 1916?

Mr. LONG. Well, I do not think that that is a matter that is material to this hearing.

Mr. GRAHAM. Well, we are trying to find out, Mr. Long, what profits you made out of these contracts.

Mr. LONG. I will disclose the amount of profits that we made.

Mr. GRAHAM. Were you doing any other kind of business except this war-contract business during the war?

Mr. LONG. Yes, sir.

Mr. GRAHAM. During our part of the war?

Mr. LONG. Yes; doing a retail shoe business; and we gave up all our retail stores and disposed of them at a large loss.

Mr. GRAHAM. Well, you were not doing any retail shoe business during the time the United States was in this war?

Mr. LONG. Yes; that is, we closed out those stores.

Mr. GRAHAM. When did you close them out?

Mr. LONG. Why, we sold them.

Mr. GRAHAM. When?

Mr. LONG. From time to time, as we could dispose of our leases, in order to devote our entire time to——

Mr. GRAHAM. Government war contract work?

Mr. LONG. Military supplies.

Mr. GRAHAM. Making military supplies?

Mr. LONG. Yes.

Mr. GRAHAM. So at this time you have no branch stores?

Mr. LONG. We only have a few.

Mr. GRAHAM. How many have you?

Mr. LONG. I think there are 10 or 11.

Mr. GRAHAM. Where did you close out any stores during the war?

Mr. LONG. New York City, Philadelphia, Detroit, Chicago—we closed out about 50 stores.

Mr. GRAHAM. Did you make a return for income tax for the year 1916?

Mr. LONG. Yes.

Mr. GRAHAM. Did you make one for this last year?

Mr. LONG. Yes.

Mr. GRAHAM. In those income-tax returns did you schedule the amount of your profits from your various business undertakings?

Mr. LONG. Yes.

Mr. GRAHAM. Are you willing to let this committee have a copy of your income-tax returns for those two years that I have named—for the three years 1916, 1917, and 1918?

Mr. LONG. I am willing to give such information as will show the profits that we made.

Mr. GRAHAM. Are you willing to let us see your income-tax returns for those three years?

Mr. LONG. No, sir; I do not think it is a part of this hearing. I will give information. I think it is an absolutely unfair thing for you to ask, Mr. Chairman.

Mr. GRAHAM. Then, I will ask you this: Are you willing to give the committee that part of your income-tax return for those three years that shows your profits from war contract work?

Mr. LONG. I am willing to give information to this committee that will show our profits, based on the income tax.

Mr. GRAHAM. Are you willing to show us your income-tax returns—that is, excerpts, certified by the Treasury Department from whom I understand you can get those within a few hours. Are you willing to give us excerpts from your income tax returns for 1916, 1917, and 1918, showing what your profits were from war contract work?

Mr. LONG. Well, that could not be shown.

Mr. GRAHAM. Why could it not be shown?

Mr. LONG. Because the income tax will show all the profits that we made.

Mr. GRAHAM. They are itemized, are they not?

Mr. LONG. No, sir.

Mr. GRAHAM. You are not willing to exhibit those returns to us?

Mr. LONG. Why, I think it is an absolutely unfair thing for you to ask me. I am willing to show you what profits we made during the war.

Mr. GRAHAM. How will you do that?

Mr. LONG. It shows the total profits—

Mr. GRAHAM. Are you willing to show us your books?

Mr. LONG. I am trying to tell you now—

Mr. GRAHAM. Are you willing to show us your books?

Mr. LONG. No, sir; I do not think you have any right to ask me to show my books.

Mr. GRAHAM. You do not imagine this committee can subpoena you or your books here so that we can look at that part of them with reference to war contracts? You do not believe we can?

Mr. LONG. I do not think you would gain anything by it. I think you are doing something that is absolutely unfair.

Mr. GRAHAM. You have said that two or three times. I am trying to ask you, and I would like a definite answer, whether this committee can have access to your books relative to the war contracts that you have mentioned, to ascertain, if we can, what your profits have been?

Mr. LONG. If you undertook to get that up you could not get it in a year.

Mr. GRAHAM. Why not?

Mr. LONG. Those contracts were not carried on separate from others—

Mr. GRAHAM. Exactly so.

Mr. LONG. It would be absolutely impossible and you ought to know it.

Mr. GRAHAM. Exactly so. Could we not put a firm of accountants on your books?

Mr. LONG. No; you could not find out in a hundred years. All our business is carried on together. We do not keep a separate account of one contract from another. It would be absolutely impossible to tell.

Mr. GRAHAM. Nobody can tell from your books how much you made on any contract?

Mr. LONG. All you can tell is the total. I am willing to give you, Mr. Chairman, the amount of the profits we made altogether.

Mr. GRAHAM. Yes; you are willing to state it. Are you willing to show us the books that disclose this?

Mr. LONG. I am willing, if the income tax is not allowed, I am willing to give you a sworn statement, approved by them, of the amount of our profits during these two years.

Mr. GRAHAM. But you are not willing to exhibit your books?

Mr. LONG. Why, I think it is absolutely unfair. No; I am not willing to exhibit my books.

Mr. GRAHAM. Not even to a firm of certified accountants whom this committee might select?

Mr. LONG. I am willing, after election, if you want to do it.

Mr. GRAHAM. You are not willing before election?

Mr. LONG. I am willing to give you the information. You are asking something that is absolutely unfair.

Mr. GRAHAM. Well, we will find out about that later whether we can get it or not. How much do you say your profits were on this \$22,000,000 worth of business that you completed?

Mr. LONG. Less than 5 per cent.

Mr. GRAHAM. Less than 5 per cent?

Mr. LONG. Yes.

Mr. GRAHAM. How do you figure that?

Mr. LONG. Well, our profits were less than \$1,000,000, and by the time we get into business again it will probably be all gone.

Mr. GRAHAM. How do you come to that conclusion, that it is less than 5 per cent? What have you got to show us that verifies that statement?

Mr. LONG. I can show that by the income tax returns.

Mr. GRAHAM. Well, you have stated to us you would not let us see that part of your income tax returns.

Mr. LONG. Oh, I will let you see that part of it, just the profits that were made.

Mr. GRAHAM. When will you do that?

Mr. LONG. I will have that sent down here so you can have it to-morrow. I would like to get home. I am giving up my political engagements. I will have a sworn statement for you to-morrow of my profits of the two years.

Mr. GRAHAM. Well, will it be taken from your income tax returns.

Mr. LONG. Yes, sir.

Mr. GRAHAM. Will you have that certified by the Treasurer, who has custody of those?

Mr. LONG. Yes, sir.

Mr. GARRETT. Provided, of course, the Treasurer will do it.

Mr. GRAHAM. Yes; I think he will do it for the individuals.

Mr. LONG. The treasurer? I am the treasurer.

Mr. GRAHAM. I mean the Treasury Department, that has the custody of these income tax returns. I understand that as a rule they are not to be exhibited to any one except the individual himself. I think they will give that to you; they will not give it to anybody else, of course.

Mr. LONG. Have you asked anybody else, Mr. Chairman, to give you that information?

Mr. GRAHAM. No; we have not that I remember of.

Mr. LONG. You are just picking on me, are you, because I am a Democratic candidate for governor?

Mr. GRAHAM. The point you are making here, sir, is that you have not been making any exorbitant profits. This committee certainly has a right to know whether your profits are exorbitant or whether they are not, have they not?

Mr. LONG. Why don't you compare others? Why don't you get others?

Mr. GRAHAM. What difference will that make, so far as your individual profits are concerned, whether John Smith makes 75 per

cent or whether he makes 13 per cent? That is a question we will have to determine.

Mr. LONG. I should think it makes a good deal of difference whether you are taking a man that has made a customary amount of profit—

Mr. GRAHAM. Well, I do not propose to get into any controversy with you. I am going to ask you some questions; if you choose to answer them, do so; if not, refuse to answer.

As I understand you, you will try to have this information from Massachusetts about your tax returns in 1916 and this last year as soon as you can get it, and that you will get a certified statement from the Treasury Department about your income tax returns?

Mr. LONG. Yes, sir.

Mr. GRAHAM. How many contracts did you have?

Mr. LONG. From memory I should say about 200.

Mr. GRAHAM. How were they divided as to ordnance and quartermaster?

Mr. LONG. I should say about two-thirds ordnance and one-third quartermaster, and a few chemical warfare service.

Mr. GRAHAM. How many are still pending where claims have not been allowed?

Mr. LONG. Seven or eight.

Mr. GRAHAM. What is the aggregate of your claims on those?

Mr. LONG. I could not say. I should say that our claims might be somewhere between half a million and a million dollars. I think it is nearly that for materials that we have on hand—the greater part of the materials that we have on hand.

Mr. GRAHAM. Most of those are on these knapsack claims, are they?

Mr. LONG. Yes, sir; the bulk of them.

Mr. GRAHAM. How much have you received in settlements of war contracts?

Mr. LONG. How much has been paid us altogether?

Mr. GRAHAM. Yes, sir.

Mr. LONG. Oh, over \$20,000,000.

Mr. GRAHAM. I mean on the settlement of such claims as you have filed. I understand you have been paid on contracts about \$22,000,000, but that you have filed some claims.

Mr. LONG. On the suspended or canceled contracts?

Mr. GRAHAM. Yes, sir.

Mr. LONG. Why I should think we have collected about \$2,000,000.

Mr. GRAHAM. So that there has been paid you approximately \$22,000,000, and about \$2,000,000 on suspended contracts, and you have claims for five or six hundred thousand dollars?

Mr. LONG. Yes; between \$500,000 and \$1,000,000.

Mr. GRAHAM. Now, did you hear Col. Goetz testify the other day?

Mr. LONG. No; I did not. I saw a newspaper account of his testimony.

Mr. GRAHAM. As I remember it, Col. Goetz testified that he came to your factory at one time, as I remember about July, 1918, and he inspected some stuff in your factory. He says that he found in your place stuff ready for delivery to the Government—artillery breast collars, halters, saddlebags, bridles, and many other items, parts c

harness—that were badly cut, badly manufactured, and did not comply with the specifications, and that he condemned them and refused to accept them. Do you remember that visit?

Mr. LONG. I understand he was there; I did not see him at the time.

Mr. GRAHAM. Who did see him?

Mr. LONG. I do not know.

Mr. GRAHAM. Did your son, Mr. Richard H. Long, jr., see him?

Mr. LONG. My son is Richard F. Long.

Mr. GRAHAM. Did he see him?

Mr. LONG. I do not think so; not the first time.

Mr. GRAHAM. Was your son in charge in the factory there or in any official capacity?

Mr. LONG. Yes; he was there.

Mr. GRAHAM. How old a man is your son?

Mr. LONG. Twenty-seven.

Mr. GRAHAM. How long had he been in the factory there helping to supervise it?

Mr. LONG. Six years.

Mr. GRAHAM. Was he in the Army for awhile?

Mr. LONG. No. He was in the service as an inspector. The department in Washington asked me if I would let him come down to Washington to help in getting other manufacturers started in manufacturing military equipment. We were doing quite a large business, and they wanted our assistance, and I told them that I thought we could allow him to do that.

Mr. GRAHAM. When was that?

Mr. LONG. That was in the summer of 1917. He did that, and he was offered a commission at that time, but after considering the fact that we had such large contracts I thought he would be of more use in connection with our own business. But he helped out other manufacturers for several months, and came back to our factory.

Mr. GRAHAM. When did he get back to your factory?

Mr. LONG. If I remember, it was in September, 1917.

Mr. GRAHAM. Do you know whether he was included within the draft?

Mr. LONG. Yes; he was in the draft.

Mr. GRAHAM. Did you request that he be assigned to your factory?

Mr. LONG. No; sir.

Mr. GRAHAM. How was that done?

Mr. LONG. There was no request made on my part.

Mr. GRAHAM. How was he exempted?

Mr. LONG. Why, he was married.

Mr. GRAHAM. Well, of course—

Mr. LONG. Do you think that is a fair question, Mr. Graham?

Mr. GRAHAM. No, sir. But the question has been raised here and I want to know about it. Various of these witnesses have testified that he was in the military service for awhile, as they thought, at Rock Island. I am trying to find out whether that is true.

Mr. LONG. Yes.

Mr. GRAHAM. You say it is not true?

Mr. LONG. He was not in the military service; he was an inspector.

Mr. GRAHAM. Now, was he authorized to speak for you to these various officers in these negotiations?

Mr. LONG. Oh, well, he was like anyone else, a part of an organization.

Mr. GRAHAM. Well, was he an officer of the organization?

Mr. LONG. President of the R. H. Long Co.; yes, sir.

Mr. GRAHAM. You say he was vice president?

Mr. LONG. President.

Mr. GRAHAM. What was your official connection with the company?

Mr. LONG. Treasurer.

Mr. GRAHAM. Col. Goetz says that he refused to accept some of this stuff. Did you know about it at the time?

Mr. LONG. Well, Col. Goetz was pretty well excited. He was disappointed because New England manufacturers were given more business than western manufacturers.

Mr. GRAHAM. Why would that affect him? Do you know?

Mr. LONG. Why, he is a western manufacturer, and he had been at some of the arsenals out there in connection with buying and we were making lower prices and bringing business up to New England. There was quite a feeling, I think, at one time that was expressed by some department ruling shutting business out of New England. We were getting too much of it.

Mr. GRAHAM. Do you know whether his criticisms of the kind of material you are furnishing were correct or not?

Mr. LONG. There could be no real criticism of the material that we were furnishing, sir. We furnished the material from the sources that the Government requested, and material was inspected at our factory by Government inspectors.

Mr. GRAHAM. Well, he says he rejected some. Is that true?

Mr. LONG. Well, I think that may be very true. I presume that perhaps a tenth of one per cent, or something like that, of the articles we had were rejected.

Mr. GRAHAM. Do you know whether the stuff you had been furnishing prior to the visit of Col. Goetz there was similar to the material that he rejected?

Mr. LONG. We made millions of dollars worth of material and received praise for it from the different departments.

Mr. GRAHAM. Well, you have not yet answered the question. Was it similar to that he rejected?

Mr. LONG. You want a real answer?

Mr. GRAHAM. Well, I want to know—the committee have the right to know whether the material was good or whether it was bad.

Mr. LONG. The material was good.

Mr. GRAHAM. Was it like that Col. Goetz speaks of which he says he condemned? Now, he says that after that you did better in your factory.

Mr. LONG. Our contracts called—I explained that in my previous testimony. Our contracts called for leather of a certain weight, and we bought leather at the places specified by the Government, of that weight. Then they asked us to deliver goods on the basis of thickness instead of weight, and that required leather a little thicker. We gave them more than our order called for, and we never put in any claim, and never received any compensation for that additional weight, and I think all of the material that we made was serviceable.

Mr. GRAHAM. Do you think, irrespective of what Col. Goetz says, that the material that you were putting out there was good stuff and according to specifications?

Mr. LONG. Well, no; not the specifications; because hardly any Army goods were made up to specifications. The specifications, Mr. Graham, were made in times of peace when we could get goods according to specifications. There was not enough material in the world to make the amount of goods that were required according to the specifications, and they had to allow goods to be made according to the material that was in existence. In our case we lived up the specifications, under the direction of the inspectors. Anything they saw that was not right, of course they would reject. There might be some part of an article that there might be some little imperfection in, and it would be thrown out. But we had reports from the different—particularly on leather that we sent them out at Rock Island. Our first order was for 100,000 saddle bags, and we received good reports from them. That was an article much more difficult to make than this black harness leather. That was easy to make, sir—this black harness leather—as compared with saddle bags and bridles that we made before that.

Mr. GRAHAM. Mr. Long, here is the specific charge made by an officer who is still in the service, in the employ of the Government. He says:

I found artillery breast collars, halters, saddle bags, bridles, and many other items—parts of harness—badly cut; badly manufactured, and that did not comply with the specifications.

Now, is that true or is it not?

Mr. LONG. Why, I should say, if you want a real answer, that it was not true. There might have been one or two parts of articles that were not right, the same as there would be in any factory where you have a great many people working.

Mr. GRAHAM. He says the particular trouble in your institution was that in building up an organization like you had there—I am quoting his exact language—

Not having any previous knowledge of it, that the general character of his supplies would not comply with the specifications. They were cut light; they were poorly manufactured.

Now, inasmuch as that statement has been specifically made before this committee, I think we are justified in asking you whether there is any truth in it or not.

Mr. LONG. I should say there was not any real truth in it. There might have been some articles, like there would be in any factory, that would not be quite what they ought to be, where there are thousands of human beings that do not always do everything exactly the same. But in a general way I have always been praised on the articles we manufactured.

Mr. GRAHAM. Now, another thing about Col. Goetz. Col. Goetz says he came back to Washington almost immediately after visiting your factory and other factories which he had inspected in New England, and that the New England people came down here and asked to have him discharged or relieved from his duties, and that thereafter he was relieved. Did you have anything to do with that?

Mr. LONG. No, sir.

Mr. GRAHAM. Do you know whether your company was in any way represented in that protest that was made against Col. Goetz?

Mr. LONG. I do not think so. I was not interested in getting Col. Goetz or anyone else discharged.

Mr. GRAHAM. You were interested in what he said about your stuff, were you not?

Mr. LONG. Why, in a way; but, we were there to make goods, and we made what the Government wanted. If there was anything the Government objected to they did not have to take it. We were 100 per cent efficient on our end of it as compared with 10 per cent on the parts that they bought on the other side of it. We made good when they fell down.

The CHAIRMAN. Whom do you mean by "they"?

Mr. LONG. I mean the Government, in regard to supplying materials, etc.

Mr. GRAHAM. What kind of trouble did you have as to that?

Mr. LONG. Why, they could not furnish it; they did not furnish it. We had to go out and get it for ourselves.

Mr. GRAHAM. How often did that occur?

Mr. LONG. Why, that occurred continually.

Mr. GRAHAM. What sort of goods, for instance?

Mr. LONG. We had one contract from the Government for 400,000 haversacks and 400,000 cartridge belts, to be delivered in December, 1917, and January, 1918, where they were to furnish most of the material. Then we took a contract where we were to furnish all of the material for 250,000. Our deliveries were to be ended by June, 1917. We delivered our orders before they gave us the material to supply the orders, and in order to keep going we loaned them the material. We went out in the market and advanced money to people to hurry up their factories. We did unusual things. I think this investigation is an absolutely unfair proposition.

Mr. GRAHAM. I assume, then, that you also think, Mr. Long, that it is unfair to hold up your claims down here in the claims department, or do you not?

Mr. LONG. Absolutely.

Mr. GRAHAM. You think they ought to be paid very promptly?

Mr. LONG. Yes, sir.

Mr. GRAHAM. That is your theory about it, is it?

Mr. LONG. Yes, sir; particularly in the Chemical Warfare Service.

Mr. GRAHAM. I assume you think Maj. Brown, who is a member of the board down here in the Chemical Warfare Service, has treated you very unfairly?

Mr. LONG. All through the Chemical Warfare Service they wanted to keep information from us that we asked for in order to properly present our claims.

Mr. GRAHAM. And when you went to Maj. Brown and wanted to talk to him about this matter and he refused to talk to you, you think he treated you very unfairly?

Mr. LONG. Yes, sir.

Mr. GRAHAM. You knew, did you not, that at that time your claim had not yet been filed here, or was that true?

Mr. LONG. We were trying to file our claims. We wanted to discuss the matter——

Mr. GRAHAM. Was your claim filed here at that time?

Mr. LONG. We filed our claim in New York; they would not take it here.

Mr. GRAHAM. Did you think it was proper for your to talk to Maj. Brown about that matter when there was no claim pending before his board?

Mr. LONG. Well, yes; the New York office was closed. We could not talk to anybody else.

Mr. GRAHAM. I assume you think Col. Besse also treated you very unfairly?

Mr. LONG. Well, yes, sir; he did.

Mr. GRAHAM. And Maj. Dickinson also was very unfair about everything?

Mr. LONG. I think his testimony was pretty wild.

Mr. GRAHAM. Well, he did not treat you right?

Mr. LONG. Well, he did not treat us very badly.

The CHAIRMAN. Is Maj. Dickinson still here? Have you got that form of statement which you wanted this gentleman to prepare?

Mr. LONG. I think, Mr. Chairman, I had better get a lawyer if this is to continue.

Mr. GRAHAM. Well, we will be done with you pretty soon; after we get those income-tax schedules and a few more things we will be done.

You spoke yesterday in your testimony about—may be I had better wait until Mr. Garrett returns; I had not noticed he had left the room. Well, I think it will do no harm to ask you this question. It is comparatively immaterial.

You spoke yesterday of the fact that they wanted you, up there in the New York board or the Boston board, or wherever Besse and Dickinson were, to fill up some sort of a form that was unusual and extraordinary, did you not?

Mr. LONG. Yes.

Mr. GRAHAM. That you had never heard of and that you saw no use of filling out?

Mr. LONG. I did not just put it that way. I said they wanted us to make our claim in a form that was unusual and which I did not think was the proper way to make it.

Mr. GRAHAM. Well, I have here—which has just been furnished me by Maj. Dickinson—what he claims is the form that was used up there. I wish you would look at it and see if it is the form they presented to you and asked you to use.

Mr. LONG. (After examining document). That looks like it.

Mr. GRAHAM. Now, the various items along here are said by Maj. Dickinson to me to be exact excerpts from the instructions that were given to them by their superior officers, and the form that they used universally. Do you know whether that is true or not?

Mr. LONG. Well, I would not know whether they used it universally or not; I know it is different from any other department.

Mr. GRAHAM. If it is the form that was used universally and only contains such things as the law required, what was extraordinary about it? Do you know, Mr. Long, whether that is the form that other people who had claims in the gas-defense division were required to fill up?

Mr. LONG. I do not know, but I am willing to concede that the others did make out their claims on this form.

Mr. GRAHAM. You imagine that they did?

Mr. LONG. I presume they did. But we could not prepare our claim under this kind of a form.

Mr. GRAHAM. Why?

Mr. LONG. Well, because they did not allow us to present the claim—on the part they did settle by partial payments we used this form as long as we could, reserving our rights on the partial payments. Finally, after a long struggle—

Mr. GRAHAM. Let us see. This form has several columns in it. It starts out with "Material," and it says, "Quantity," "Actual price paid," "Actual sale or take-over price," "Present itemized amount of overhead," "Purchase and sale," "Net compensation claim," and "Remarks."

Why could you not have filled that out? Was there anything peculiar about your claim that it would not fit this form, that you could not get into it what you thought you ought to have?

Mr. LONG. Why, Mr. Chairman, the claims on different articles have a good many different conditions in them. We made a good many different kinds of goods, and we never would undertake to have one form for all kinds. I do not remember the details, but I told representatives of the Chemical Warfare Service that I could not see how we could make our claim under that form. But that form did not delay it; we made a claim, and they had the privilege of refusing it or accepting it in part. If they had shown a disposition to be reasonable and accord to the rulings of the Secretary of War and tried to settle with the contractor on such parts of the claim as they could agree upon, we would have got along further with them and got along sooner.

Mr. GRAHAM. The claim you did file I imagine is this claim which has heretofore been read into the record which I now show you [handing paper to the witness]. It consists of just a brief statement of what you claim, without any items.

Mr. LONG (examining document). This, I understand, is a supplementary agreement, under which—

Mr. GRAHAM. Is not the first page or two the claim? That is what some of them have testified here.

Mr. LONG. This is a notice for a claim, that we have a claim; it is not a real claim in detail.

Mr. GRAHAM. Did you ever file anything more than that?

Mr. LONG. No; we are trying to get information from them so that we can file a claim.

(Thereupon, at 11.55 o'clock a. m., the subcommittee took a recess until 2.15 o'clock p. m. the same day.)

AFTER RECESS.

The committee was called to order by Hon. W. J. Graham (chairman) presiding.

Mr. GRAHAM. Now, Mr. Long, I have some of these contracts which have been settled, and I want to ask you some specific questions about them, to which you have not testified about here before.

The first one that I am going to call your attention to is claim No. P. C. 2534. Under the award in this case, you were paid \$168,939.70 for the work that had been completed, and you were allowed the claim for an additional sum of \$15,346.86.

Mr. LONG. What is the number of the contract?

Mr. GRAHAM. E-1639, for halter and head straps. Now, I haven't had, of course, since this examination began, time to check over these, but I am going to take some of these contracts and ask you relative to the salvage values when sold, and after the situation as to some of these claims that have been allowed.

Now, in this particular contract, you claim, or charge up a lot of cut stock, and so on, to the amount of \$1,379.40, and then charge an overhead on that of 10 per cent, or \$187.31.

Now, with reference to \$1,516.24, did you take that material back from the Government?

Mr. LONG. I think not.

Mr. GRAHAM. You let the Government take over all of that, did you?

Mr. LONG. That was in process; yes.

Mr. GRAHAM. Now, you had some special facilities in this particular job for which you charged the Government \$9,055.63; what were they.

Mr. LONG. Those were machinery and buildings.

Mr. GRAHAM. They were machinery and buildings. What kind of machinery?

Mr. LONG. Machinery on hand at that time, for those contracts, the machinery cost \$665,000.

Mr. GRAHAM. But I think it speaks, under this particular one, you charge on that particular contract \$9,055.63, for special facilities; what were they?

Mr. LONG. The facilities were all taken in a lump and charged off with all of the contracts in general.

Mr. GRAHAM. Well, you mean to say that you didn't have any particular special facilities for this particular job?

Mr. LONG. We had facilities for all jobs; we used them on all of them as they came along.

Mr. GRAHAM. Well, how do you arrive at the fact, as stated in your sworn claim here, that you bought special facilities for this particular job amounting to \$9,055.63?

Mr. LONG. That, we took in general, those figures, for all of the work, and then we approximated it.

Mr. GRAHAM. How did you divide it?

Mr. LONG. We divided it according to the amount of canceled contracts. We estimated all of the facilities that we had on the \$35,000,000 worth of contracts. On that basis we charged off a proportionate amount of the canceled contracts.

Mr. GRAHAM. What rule in the War Department authorizes you to do that?

Mr. LONG. I don't know about the rules of the War Department.

Mr. GRAHAM. Did you buy any machinery to make these particular halters?

Mr. LONG. We bought machinery to make all of these items.

Mr. GRAHAM. Did you buy any to make these?

Mr. LONG. We bought some.

Mr. GRAHAM. Isn't this a fact; you bought a lot of tools, and you bought a lot of machines with which you manufacture all kinds of munitions of war; that is true, isn't it?

Mr. LONG. No; that isn't.

Mr. GRAHAM. Well, what is the fact about it?

Mr. LONG. We bought machinery for them, and for leather goods, and for textile goods, and we would anticipate orders, and we would go out and buy up machinery and equipment and put it in there for any particular order, when we anticipated orders.

Mr. GRAHAM. Yes; now then, suppose you were in any other business, suppose you were making shoes, you would have to have machinery for making shoes?

Mr. LONG. We did have shoe machinery, and we sent all of that machinery out.

Mr. GRAHAM. Suppose you were making clothing; you would have to have machinery for making clothing; wouldn't you?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Well, you were in the business, making that sort of thing, and you figured that you had to charge the Government on these things with which you made these articles for the Government?

Mr. LONG. We didn't, on each one.

Mr. GRAHAM. You didn't?

Mr. LONG. We wanted to cover this in the course of the contracts. We preferred to finish the contracts, and at the request of the Government we canceled the contract; we canceled the contracts and gave up our rights to profits.

Mr. GRAHAM. You still have the tools, do you?

Mr. LONG. Some; we have been trying to sell them.

Mr. GRAHAM. What sort of special facilities are they?

Mr. LONG. Well, we have—I have here a list of some of them.

Mr. GRAHAM. Well, read it.

Mr. LONG. Machinery and equipment for sewing machines.

Mr. GRAHAM. What kind of machinery?

Mr. LONG. That consisted of benches and machinery for setting the sewing machines up, and sewing machines, \$8,714.43.

Mr. GRAHAM. Now, is it possible to say what kind of equipment that is. Can you use that in the steady operation of your factory?

Mr. LONG. Some of it might be.

Mr. GRAHAM. Well, what part of it might.

Mr. LONG. Well, we have been trying to sell it. We haven't any use for it.

Mr. GRAHAM. Well, why?

Mr. LONG. Why, because we haven't; don't need it in our business.

Mr. GRAHAM. What is your business now?

Mr. LONG. Shoe manufacturing.

Mr. GRAHAM. You manufacture shoes?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Anything else?

Mr. LONG. Yes, sir; we make automobile bodies.

Mr. GRAHAM. Anything else?

Mr. LONG. I think that is about all.

Mr. GRAHAM. Just a minute; have you made any contract stuff for the Government since the armistice was signed?

Mr. LONG. We haven't secured anything except special requests. We made some women's shoes.

Mr. GRAHAM. How many women's shoes?

Mr. LONG. Fifteen thousand pairs, and we lost over a dollar a pair.

Mr. GRAHAM. You are not doing anything in your factory except making automobile bodies and shoes?

Mr. LONG. Shoes and machinery.

Mr. GRAHAM. What?

Mr. LONG. And machinery.

Mr. GRAHAM. What kind of machinery?

Mr. LONG. Shoe machinery.

Mr. GRAHAM. You make that in your factory?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Well, you say that particular stuff you can't use in your factory?

Mr. LONG. No; we are trying to sell it; we have sold a little of it, I should say about 5 per cent of that item.

Mr. GRAHAM. Well, what are the rest of the items you have got there?

Mr. LONG. The next item is belting, pulleys, etc., \$26,138.56.

Mr. GRAHAM. Well, I suppose you don't need that in your factory either, do you?

Mr. LONG. Well, the pulleys would be largely junk. You could hardly use them. When you wanted a pulley for a new machine, you would hardly ever find one that would just fit.

Mr. GRAHAM. Well, could those pulleys not be used with your machinery?

Mr. LONG. In case of those machines, you would have to go to work and purchase shafting and everything relating to it, but it is very, very seldom that a pulley used in one kind of work would be needed for anything else.

Mr. GRAHAM. How about the belting.

Mr. LONG. Belting; that would have some value.

Mr. GRAHAM. How much wear and deterioration in the value of that belting has there been in the length of time that you were working on these contracts?

Mr. LONG. Well, it wouldn't be that, it would be the fact as to whether you wanted that kind of belting.

Mr. GRAHAM. Well, is belting down on the market; is belting down?

Mr. LONG. There was a great many different kinds of belting.

Mr. GRAHAM. What kind was this?

Mr. LONG. This varied; different sizes; different kinds.

Mr. GRAHAM. You say you haven't any ready market for that sort of thing now?

Mr. LONG. That would be worth, I should say, about 20 per cent on the dollar.

Mr. GRAHAM. On the market?

Mr. LONG. That is, if you sold a lot of secondhand belting, the average, you would be lucky if you got 20 cents on the dollar.

Mr. GRAHAM. Did you tear it all down; take it all out of your factory?

Mr. LONG. Yes, sir; we took it all away.

Mr. GRAHAM. It is not in use now?

Mr. LONG. Some of it might be in use, if we could find a piece.

Mr. GRAHAM. What part?

Mr. LONG. I can't tell you; there might be a little.

Mr. GRAHAM. Have you sold any of it?

Mr. LONG. We have tried to sell all of that.

Mr. GRAHAM. That belting?

Mr. LONG. Yes, sir; tried.

Mr. GRAHAM. What is the next?

Mr. LONG. The next item is printing machinery, \$1,340.57.

Mr. GRAHAM. Printing?

Mr. LONG. Yes.

Mr. GRAHAM. To print what?

Mr. LONG. Well, we used a lot of printing machinery for marking different articles we made. That printing machinery is good only for junk. That is only \$1,340.57.

Mr. GRAHAM. Well, you are not using any printing machinery in your establishment now?

Mr. LONG. Hardly.

Mr. GRAHAM. Well, will you use any?

Mr. LONG. Can not use any of this, as far as I know.

Mr. GRAHAM. What have you done with them?

Mr. LONG. Why, these particular parts, I do not think we have done anything. They would not be worth anything. The parts of machinery that we had, the larger number of printing machines, were put in with our general machinery.

Mr. GRAHAM. What is the next item?

Mr. LONG. The next item is lumber and hardware.

Mr. GRAHAM. What sort of lumber was that?

Mr. LONG. That lumber was for use in making racks and benches.

Mr. GRAHAM. And what sort of hardware?

Mr. LONG. The hardware was nails, screws, and so forth.

Mr. GRAHAM. What did you do with that?

Mr. LONG. Why, that was torn down and use for firewood. I don't know whether we ever got any real value out of it.

The amount of that was \$18,894.56.

Mr. GRAHAM. Have you used it or burned it up, which?

Mr. LONG. I should say that we might have gotten a thousand dollars value out of that \$18,000.

Mr. LONG. How much hardware, screws, nails, and so on, was there?

Mr. LONG. Perhaps \$1,000. That is just an estimate.

Mr. GRAHAM. And you think that is simply junk?

Mr. LONG. Yes; that wouldn't be anything but junk.

Mr. GRAHAM. You mean to say that there is no market for that kind of stuff, that it can not be sold?

Mr. LONG. We tried to sell it, but it was very hard work to find anybody to buy.

Mr. GRAHAM. Do you mean that you tried to sell nails on the market, and that you could not sell them.

Mr. LONG. Those nails and screws were the ones that were used for putting up the lumber.

Mr. GRAHAM. Well, how was the lumber cut.

Mr. LONG. Well, the lumber was cut—if we wanted a bench, we would cut it to fit that bench.

Mr. GRAHAM. How would you cut it to fit a bench; can you give any idea how big it was?

Mr. LONG. That, of course, I do not know.

Mr. GRAHAM. Can you describe it to us?

Mr. LONG. Some of them might be 10 feet, and some of them 100 feet long.

Mr. GRAHAM. And you tore that out, did you?

Mr. LONG. Most of it. We haven't been able to sell it; we tried to sell it. We don't give anything away if we can sell it; we are going to try and get what it is worth. If you ever had any experience in dismantling a plant, you would know something about it.

Mr. GRAHAM. What is the next item you have got there?

Mr. LONG. The next item is electrical fixtures.

Mr. GRAHAM. What sort of electrical fixtures, and how much?

Mr. LONG. Why, \$7,952.19.

Mr. GRAHAM. Well, what did you do; what sort of fixtures were they?

Mr. LONG. Just electrical wires and drop lights, and so on.

Mr. GRAHAM. And you have torn those out?

Mr. LONG. Those have been torn out.

Mr. GRAHAM. And your wood work, I suppose, was torn out?

Mr. LONG. Yes, sir; practically. Of course, we might have used some of it, and out of the \$18,000, that might be worth \$1,000 to us.

Mr. GRAHAM. What proportion did you leave in that factory; that is all I am trying to get.

Mr. LONG. We did not leave any, I don't think.

Mr. GRAHAM. What about the electrical fixtures; did you tear them out?

Mr. LONG. There may have been some of them, but we usually want to put the lights where the work is.

Mr. GRAHAM. Lets see; when did you put those particular fixtures and electrical equipment and wiring in there?

Mr. LONG. During the war.

Mr. GRAHAM. During what period of the war?

Mr. LONG. All through the war.

Mr. GRAHAM. Well, prior to our entrance into the war.

Mr. LONG. After your entrance into the war.

Mr. GRAHAM. Let me see, prior to April 6, 1917, our entrance into the war?

Mr. LONG. All of that comes after that time.

Mr. GRAHAM. Had you been doing any other war work before that time?

Mr. LONG. Not for this Government.

Mr. GRAHAM. Had you for any other Government?

Mr. LONG. Yes, sir.

Mr. GRAHAM. The Russian Government?

Mr. LONG. No; the British.

Mr. GRAHAM. What sort of work did you do for them; quite the same as this?

Mr. LONG. Made canvas equipment.

Mr. GRAHAM. Now, isn't it a fact that at the outbreak of the European war, that you strove to develop your factory for doing that sort of work for the allied Governments?

Mr. LONG. Not at the outbreak.

Mr. GRAHAM. When did you first go into this?

Mr. LONG. About the 1st of January following.

Mr. GRAHAM. The 1st of January, following; the war began in August, of 1914, and in January, 1915, you began to equip your factory?

Mr. LONG. We began to manufacture some British goods.

Mr. GRAHAM. About when did you first put this machinery out of place?

Mr. LONG. We partially dismantled our factory at that time.

Mr. GRAHAM. What part did you dismantle?

Mr. LONG. Why, the part of it so far as the order required.

Mr. GRAHAM. That, of course, is indefinite. Mr. Long. I would like to know how much of it you dismantled. We are trying to ascertain about the special facilities.

Mr. LONG. You mean what proportion of the machinery did we use?

Mr. GRAHAM. How much of the plant?

Mr. LONG. Why, I should say that we used about half of that factory at that time.

Mr. GRAHAM. Did you have another factory, too?

Mr. LONG. We used our machinery factory, where we manufacture shoe machinery; that is, new machines.

Mr. GRAHAM. On April 6, 1917, were you making shoes in your factory?

Mr. LONG. Yes.

Mr. GRAHAM. How much of your factory were you using for that purpose?

Mr. LONG. All of it.

Mr. GRAHAM. And what did you do with this particular part with which you were manufacturing goods for foreign governments?

Mr. LONG. Oh, we wrecked that and put it out, just the same way that we are wrecking this.

Mr. GRAHAM. You wrecked it when?

Mr. LONG. As soon as we got through.

Mr. GRAHAM. When was that?

Mr. LONG. October, 1915.

Mr. GRAHAM. And what did you do with that machinery, in those factories; keep that?

Mr. LONG. Why, we sold them just like we are these, whenever we got a chance to sell them.

Mr. GRAHAM. At the time that we entered the war, did you have any of that stuff on hand?

Mr. LONG. Yes, sir; a little of it.

Mr. GRAHAM. And did you use that in making a part of this war stuff?

Mr. LONG. A very little of it. That machinery that we have got is shoe machinery. The goods that we made for the British Government were heavy, so that we could use shoe machinery; they were cartridge boxes, and belts, and entrenching tools kits, and things that we could use to a much greater extent shoe machinery.

Mr. GRAHAM. When did you drop the shoe stores that you had over the country?

Mr. LONG. We began dropping them when we began making supplies for the Government.

Mr. GRAHAM. You hadn't dropped any up to that time?

Mr. LONG. Yes; we did drop some, but we had, as I remember, about 70 stores when we went into the war.

Mr. GRAHAM. And then you dropped all but 20 or so?

Mr. LONG. We dropped all but 11, I think, we have now.

Mr. GRAHAM. Well, now, the last item you have mentioned was electrical fixtures. What is the next item?

Mr. LONG. Trucks, \$23,670.13.

Mr. GRAHAM. What sort of trucks were those?

Mr. LONG. Those were automobile trucks, principally.

Mr. GRAHAM. How many of them?

Mr. LONG. We had three large trucks, and one or two small ones. We have sold one of them since.

Mr. GRAHAM. You say those three trucks cost \$23,000?

Mr. LONG. Three large trucks and one or two small ones.

Mr. GRAHAM. Have you got any of them yet?

Mr. LONG. Yes, sir; two.

Mr. GRAHAM. Two large ones?

Mr. LONG. Yes.

Mr. GRAHAM. Well, do you know what kind those were? Have those been turned over to the Government?

Mr. LONG. We didn't turn those over to the Government.

Mr. GRAHAM. You didn't turn them over?

Mr. LONG. No.

Mr. GRAHAM. Well, how did that happen to be in these facilities?

Mr. LONG. Why, we didn't turn over our facilities, any facilities over to the Government except in some special cases we made a charge for facilities to the Government.

Mr. GRAHAM. Now, you are charging the Government for these trucks?

Mr. LONG. We charge only for a percentage. We charge all of this as expense for carrying on the war, making war supplies, and we charge the proportion of our loss to these contracts, as compared to all of our contracts.

Mr. GRAHAM. Well, I understand, but did you buy these trucks from the Government, or in settlement, or how did you get them?

Mr. LONG. Why, we bought them ourselves. Those are our trucks.

Mr. GRAHAM. Are paid for by completed contracts?

Mr. LONG. This total amount of machinery that was bought as special equipment amounted to \$665,090. That is a part of those special facilities, and the total item of facilities that we charge, a certain amount, for the \$35,000,000 worth of contracts, and the loss on them.

Mr. GRAHAM. Well, now, let's get straight on that. How much of those special facilities were there? What did they cost you?

Mr. LONG. Those special facilities cost \$665,000.

Mr. GRAHAM. Now, how much did you give the Government?

Mr. LONG. I think that they were worth 20 per cent.

Mr. GRAHAM. You gave the Government 20 per cent on what they cost.

Mr. LONG. That is, allowed 20 per cent—that they were worth 20 per cent. As a matter of fact, I don't think that we will be able to get 20 per cent. I think that we made a bad trade.

Mr. GRAHAM. Allowed the Government 20 per cent?

Mr. LONG. That is, in our settlement we allowed that—figured that those facilities were worth 20 per cent—so we charged 80 per cent.

Mr. GRAHAM. In that settlement, then, these trucks were included.

Mr. LONG. Yes, sir.

Mr. GRAHAM. How much were they put in at—20 per cent of what they cost?

Mr. LONG. All lumped together.

Mr. GRAHAM. I thought these were out.

Mr. GRAHAM. The trucks were worth more than 20 per cent. Some of the other items we didn't get 20 per cent for. We averaged them as worth 20 per cent.

Mr. GRAHAM. You lumped them all into this?

Mr. LONG. We lumped them altogether and divided them among the claims.

Mr. GRAHAM. Your claims don't show that. Who did you make that arrangement with, Mr. Long?

Mr. LONG. We made that arrangement with the leather division.

Mr. GRAHAM. With whom particularly?

Mr. LONG. Maj. Byron, I think.

Mr. GRAHAM. Then after you had done that, you lumped this discount, including these trucks; is that what you did?

Mr. LONG. Oh, yes.

Mr. GRAHAM. First you got together and made this arrangement by which you could lump that stuff, and then these settlements were made out, and claims?

Mr. LONG. Our claims, for the most part, were based on that arrangement.

Mr. GRAHAM. What I am trying to get at is, I judge from these papers, that the items and contents of your claims, that that statement is correct, and I suppose it is. That you didn't file those itemized claims until you had gone to Maj. Byron and made this arrangement; is that right?

Mr. LONG. Itemized claims?

Mr. GRAHAM. Yes.

Mr. LONG. Why, we made a number of claims. We didn't want to make any of these claims. We wanted the Government to take—

Mr. GRAHAM. Taking a claim, Mr. Long, that itemized case, the amount of special facilities on that particular claim, you itemized that?

Mr. LONG. Yes.

Mr. GRAHAM. And that was the amount you were allowed for special facilities. Now, after you made those, what did you base your claim on, after you and Maj. Byron had gotten together? Arrangements were made by which you could split all of it, and in that case you made a claim after you and Maj. Byron had made the agreement.

Mr. LONG. They took all of the leather claims and divided them up.

Mr. GRAHAM. Did anybody else have anything to do with it besides Maj. Byron?

Mr. LONG. We appeared before different members of the board.

Mr. GRAHAM. Did you have any claims pending then?

Mr. LONG. I believe this was; this lot of claims was among the first settled.

Mr. GRAHAM. I understand that the claims you say, on facilities, couldn't be filed until you had made an arrangement. What did you have pending when you made that?

Mr. LONG. Why, I think that this particular one was one of the first set of claims that was settled.

Mr. GRAHAM. All right, let's admit that. How did you get that before you made this arrangement?

Mr. LONG. How did I get that?

Mr. GRAHAM. Yes.

Mr. LONG. Well, we estimated our losses. We said we have this different machinery on hand, specially acquired for the Government work.

Mr. GRAHAM. I understand that; but, as a matter of fact, it is true, isn't it, Mr. Long, that you got Maj. Byron and somebody else to figure this thing, you say Maj. Byron, you got together and figured the estimate over in New York, what you were willing to pay for the matter you claim—

Mr. LONG. No; that isn't it.

Mr. GRAHAM. How did you do it?

Mr. LONG. We estimated the loss on facilities, and charged proportionately on all contracts. The proportion is the only thing we deducted from that proportion, so we didn't really get all of the loss.

Mr. GRAHAM. Then you filed a claim after you made that arrangement?

Mr. LONG. Those claims were made out after this I show you; yes.

Mr. GRAHAM. What did you have on file when you were making that arrangement? That is what I am trying to get at.

Mr. LONG. Why, we made—

Mr. GRAHAM (interposing). Did you have anything on file?

Mr. LONG. We had all of the accounts on file.

Mr. GRAHAM. Did you have any claims on file at the time of this particular one I am showing you?

Mr. LONG. We made an arrangement on 22 claims that were settled for \$220,000, or something like that.

Mr. GRAHAM. And then you had to make out claims for this?

Mr. LONG. Well, we presented different affidavits before that, too.

Mr. GRAHAM. In the case that you have got there?

Mr. LONG. Well, information as to what the value of special facilities provided was, and what we thought they were worth.

Mr. GRAHAM. Where did you present this information?

Mr. LONG. We presented it to the Claims Board.

Mr. GRAHAM. Where?

Mr. LONG. In Boston; also, I believe, down here.

Mr. GRAHAM. Did you make all of those claims? How did you go about it?

Mr. LONG. We did pretty much whatever they asked us to, to try to fix it up the way they wanted it.

Mr. GRAHAM. Well, now, it is a matter—

Mr. LONG. We got together—all of the leather contractors in New England came down here and tried to make adjustments of our claims.

Mr. GRAHAM. Were you with them?

Mr. LONG. Yes; I was with them.

Mr. GRAHAM. Whom did you see?

Mr. LONG. We saw Maj. Byron, Col. Getts, and Capt. Benke and several others.

Mr. GRAHAM. Who was with you?

Mr. LONG. Who was with me?

Mr. GRAHAM. Yes.

Mr. LONG. I guess there were 14 or 15 contractors.

Mr. GRAHAM. Where did you see these gentlemen?

Mr. LONG. Down in Washington.

Mr. GRAHAM. Well, what was the purport of the conversation or interview?

Mr. LONG. Why, we came down to see if we could not make an arrangement with the Government on our claims, so as to get back to commercial business.

Mr. GRAHAM. How did you go about it, and what arrangement was made, if any?

Mr. LONG. This was the arrangement, so far as I was concerned.

Mr. GRAHAM. Well, did you tell them how much facilities you had there?

Mr. LONG. I think so, about that time.

Mr. GRAHAM. And did they say, "Well, you can allow 20 per cent and fix up your claim"?

Mr. LONG. No; we made that—made up that request ourselves.

Mr. GRAHAM. Well, they agreed to that, didn't they, before that?

Mr. LONG. Before we made it up? Oh, no; we made it up ourselves. They didn't agree to it beforehand.

Mr. GRAHAM. They didn't agree to it?

Mr. LONG. Not to our claims for facilities.

Mr. GRAHAM. Well, when did they agree to it; afterwards? Was that done—did you have some other meetings?

Mr. LONG. We had a number of conferences. I agreed with Maj. Byron, in Boston—I agreed on the claim of \$220,000 with the War Department, in Boston, at the War Department's offices in Boston. I made an agreement to settle for approximately \$220,000.

Mr. GRAHAM. Was that before the claims were filed?

Mr. LONG. Well, I think it was before those papers were filed.

Mr. GRAHAM. Well, these itemized claims were all furnished by you to the War Department, relative to the matter of settling on these facilities. I assume, therefore, that they were, and that before these claims were filed that you came to some agreement with Maj. Byron about this matter, and he agreed you could have \$220,000?

Mr. LONG. That is what we agreed on, about \$220,000.

Mr. GRAHAM. Now, what other special facilities have you got there, besides automobile?

Mr. LONG. General machinery, \$367,087.90.

Mr. GRAHAM. What is that?

Mr. LONG. That consists principally of sewing machines, and printing and binding machines, and other things of that kind.

Mr. GRAHAM. What did you do with that?

Mr. LONG. We have been trying to sell it since.

Mr. GRAHAM. You are not using it in your business?

Mr. LONG. Not to any extent.

Mr. GRAHAM. What do you mean, Mr. Long; how much of it are you using?

Mr. LONG. We might be using 5 per cent.

Mr. GRAHAM. Well, is that your judgment—5 per cent?

Mr. LONG. I should say that we might be. I hardly think there is any more than that.

Mr. GRAHAM. What percentage of value did you give to them?

Mr. LONG. Twenty per cent on all of that machinery was what was allowed.

Mr. GRAHAM. Have you sold any of that stuff since?

Mr. LONG. Yes.

Mr. GRAHAM. Some of those sewing machines?

Mr. LONG. Yes.

Mr. GRAHAM. Have you sold more than 20 per cent?

Mr. LONG. I should say that on the whole we got less than 20 per cent if we figured the cost of carrying them, I think, I imagine, we won't get over 10 per cent. It was a bad trade for us, that 20 per cent. If we could dispose of them at 20 per cent and get our money we would be much better off than we are at present.

Mr. GRAHAM. The next contract that I want to call your attention to is one of these that has been mentioned by Mr. Bennett, contract No. P-710-4580-Eq., 30,000 black harness-leather headstalls. In that I find raw materials charged to the Government, 29,287 pounds black harness leather.

Mr. LONG. That is leather.

Mr. GRAHAM. Black harness leather, \$19,622.29, with overhead, \$1,836.65. The statement is that the value of that to the contractor is \$16,678.95, which is a reduction of about 20 to 25 per cent. Why wasn't that leather worth as much as it was when you bought it, black harness leather?

Mr. LONG. Why, Mr. Chairman, on black harness leather, there was a general agreement that the owners, that the tanners would take black leather at a certain price. We didn't have any use for that harness leather at all in our business.

Mr. GRAHAM. Well, what agreement was that?

Mr. LONG. A general agreement with all contractors, and I understand also with the tanners.

Mr. GRAHAM. Who made that agreement?

Mr. LONG. That was made by the War Department.

Mr. GRAHAM. Well, do you know when or how that agreement was made?

Mr. LONG. Well, they allowed the contractors, or tanners, to retain the leather at a certain discount in value, different in different kinds of leather.

Mr. GRAHAM. Well, what was the discount; do you know?

Mr. LONG. Why, the discount on some of the leather—harness leather—was 15 per cent. In some cases it was 33 per cent, on side leather—russet side leather; 50 per cent, on russet backs.

Mr. GRAHAM. Now, you say the Government agreed—

Mr. LONG (interposing). The Government didn't want this leather. It had no use for it, and was glad to get the manufacturers to retain it, to get them to retain it at the prices that these manufacturers

could keep it at. The leather would have been turned over to the Government.

Mr. GRAHAM. Why didn't the Government want that leather?

Mr. LONG. They had no use for it.

Mr. GRAHAM. How has the price of that sort of black harness leather changed in value since the signing of the armistice?

Mr. LONG. Oh, contractors for four or five months after the signing of the armistice could buy black harness leather at 25 per cent less than the price that the manufacturer retained it for, for four or five months. From that time the prices have gone up.

Mr. GRAHAM. Yet during that period the price of harness to the consumer and to the farmer has been higher than during the war, hasn't it?

Mr. LONG. Not during all of that time; right after the war prices went down.

Mr. GRAHAM. When did they go down?

Mr. LONG. During the time that negotiations were being made, prices went down.

Mr. GRAHAM. The prices to the buyer?

Mr. LONG. Yes; the prices went down until the Government removed its restrictions on prices. Then prices went up, and leather went up generally.

Mr. GRAHAM. Now, you want to state it as your opinion that the prices of harness, or black harness leather, was lower after the signing of the armistice, for quite a while, three or four months, than it had been?

Mr. LONG. All kinds of leather was lower for a while.

Mr. GRAHAM. Did the prices of shoes go down?

Mr. LONG. Yes.

Mr. GRAHAM. And the prices of all kinds of leather did?

Mr. LONG. Yes, sir; for a time, and then they went up.

Mr. GRAHAM. How long a time?

Mr. LONG. I can't say—several months—I can't say, but all kinds of leather was cheaper for a time.

Mr. GRAHAM. What do you attribute the rise to?

Mr. LONG. When the Government released this control of prices of hides. They had hides—they had fixed a maximum price of 23 cents—the price of cowhides. They released that, then that price went up as far as 61 cents.

Mr. GRAHAM. How did they have any control over the prices of hides?

Mr. LONG. War control.

Mr. GRAHAM. Was it regulated by the War Industries Board, or what was it?

Mr. LONG. I understand so. Then it was released and right after that, after the armistice was signed, we could get all of the black harness leather, and we returned all of that, as far as we could, to our subcontractors. Some of them wouldn't take it, and we sold it at a loss. We lost money on all black harness leather that we kept. Even on that that we returned to the subcontractors, we had the cost of handling and carrying and insurance and shrinkage and waste, and we got stuck all of the way along.

Mr. GRAHAM. Now, let's take the next claim here. The next claim is on contract No. P-5943-4405-Eq. Now, this claim seems to be for

250,000 No. 20 ration bags. This sheet here is put in here by mistake, evidently. On this you file your claim along in an apparent form, without any examination?

Mr. LONG. Yes.

Mr. GRAHAM. You say there is a unit amount of 21 cents on ration bags canceled. What does that mean?

Mr. LONG. That means, Mr. Chairman, right after the armistice, at the request of representatives of the War Department a certain number of the contractors and I visited Washington and arranged with the purchasing officer for a unit allowance on orders that were canceled.

Mr. GRAHAM. When did you do that, Mr. Long?

Mr. LONG. That was some time in November or December.

Mr. GRAHAM. There is another cancellation. Will you explain what you mean?

Mr. LONG. On each article they fixed a price, based on the cost of labor, on the different articles, on the estimated cost of labor.

Mr. GRAHAM. Who did you make that arrangement with?

Mr. LONG. Well, Maj. Shinkle was the contracting officer of the War Department, and he was handling the cancellations. At that conference I was able to present our argument for a lower unit than most of the contractors were willing to accept; the percentage of cost on all of those was very small.

The percentage of cost was less than the charge that a salesman would get for selling these goods. It figured on that particular article 21 cents, about 4 per cent of the value of the article, just about 4 per cent. My prices were lower for these articles than the other contractors, a great deal lower.

Mr. GRAHAM. When did you make this contract?

Mr. LONG. That contract was made early in 1918.

Mr. GRAHAM. Had you delivered any of them?

Mr. LONG. Not on that contract. We had two contracts. We never delivered any of those, because the Government failed to furnish the materials. They gave us defective hardware.

Mr. GRAHAM. Have you furnished any? Have you cut anything on that?

Mr. LONG. We had the material on hand, a large part of it.

Mr. GRAHAM. Have you cut up any of it?

Mr. LONG. I don't think so, but we had two contracts for ration bags.

Mr. GRAHAM. I understand; but this particular one, you hadn't done any work on?

Mr. LONG. We had gotten all of the materials and had instructed our operators. That is a very difficult article to make, and we spent a good many thousands of dollars teaching our operators how to make that ration bag.

Mr. GRAHAM. Did you do anything else except pay for the materials and teach the operators?

Mr. LONG. We furnished the materials ourselves.

Mr. GRAHAM. You furnished the materials, at whose expense?

Mr. LONG. We kept the materials, and got them together, and were prepared to proceed with the work.

Mr. GRAHAM. Now, the next is latigo leather. What was that used for?

Mr. LONG. For nothing but Government work.

Mr. GRAHAM. I understand; but you have got latigo leather on the list.

Mr. LONG. That was for different Government contracts.

Mr. GRAHAM. You didn't buy this latigo leather for this particular contract?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Did you lay aside 3,000 square feet, and not touch it, for this contract?

Mr. LONG. I bought more than I had contracted for in order to—

Mr. GRAHAM (interposing). I am asking you particularly about this. Did you buy 3,340 square feet?

Mr. LONG. Yes, sir.

Mr. GRAHAM. And you kept it for this particular contract?

Mr. LONG. I bought a lot of stuff on these kind of contracts, and when I would receive additional orders I would cover.

Mr. GRAHAM. Isn't it a matter of fact that you bought latigo leather just like any other leather, and when you got a contract you used it?

Mr. LONG. No, sir; latigo leather is an article I would not have any demand for.

Mr. GRAHAM. About how many did you need it for?

Mr. LONG. About a dozen, or fifteen.

Mr. GRAHAM. Do you pretend to say, now, Mr. Long, that you bought latigo leather for this particular contract and laid it aside for this particular contract?

Mr. LONG. I do not pretend to say—I say I bought latigo leather on these contracts, and that I lost money, because we protected the Government in such cases, by having our leather when others didn't have it.

Mr. GRAHAM. Well, now, you charge this Government, the Government, for leather, 50 cents a square foot, \$16,700, and then you allow a salvage value of \$11,733.37, which is about two-thirds of what it cost?

Mr. LONG. Yes.

Mr. GRAHAM. Why this reduction in value?

Mr. LONG. That was the general price at that time. The Government fixed it for the manufacturers, to retain the latigo leather.

Mr. GRAHAM. That isn't the question, so much as it is the question of what that leather was worth?

Mr. LONG. Well, at the time the agreement was made I don't think we could have sold the latigo leather at the prices at which the manufacturers retained it.

Mr. GRAHAM. When was this agreement made?

Mr. LONG. The agreement was made, the general agreement, in November, or it was made in December.

Mr. GRAHAM. When?

Mr. LONG. In November, or December, as I recollect.

Mr. GRAHAM. About the settlement of this particular contract?

Mr. LONG. I think the circulars were issued along about then showing the amounts the War Department would allow for materials.

Mr. GRAHAM. I understand, but if the claim was allowed or paid in June, that is what I am getting at?

Mr. LONG. We never got 50 per cent payments.

Mr. GRAHAM. Did you still have latigo leather on hand when this was allowed?

Mr. LONG. Yes; we had some on hand then.

Mr. GRAHAM. Well, it is worth more on the market now than then?

Mr. LONG. I don't know whether it is worth more; I do not know what it is worth now. Leather went up afterwards.

Mr. GRAHAM. It is worth more now than it was when you had the leather, immediately before the armistice was signed?

Mr. LONG. Well, in comparison, it is worth less. On all our agreements the contractors lost money, because the Government didn't give us the money, and we couldn't put it in something else.

Mr. GRAHAM. I am speaking, Mr. Long, about the market price of this leather?

Mr. LONG. The market price, when the agreements were made—I could not have sold latigo leather at the price I took it in.

Mr. GRAHAM. But you say you had a part of it on hand when this settlement was made, when this claim was allowed?

Mr. LONG. No; the agreement was made in December.

Mr. GRAHAM. But the claim was allowed in June?

Mr. LONG. The final papers went through in June, but the arrangement was made on all of that in December.

Mr. GRAHAM. When did you file this claim, Mr. Long?

Mr. LONG. Oh, we filed those claims then, and we have filed those claims time and time again.

Mr. GRAHAM. What?

Mr. LONG. We have filed the same claims time and time again, in order to meet the conditions of the finance department; would have to refile them.

Mr. GRAHAM. You filed them several times, did you?

Mr. LONG. Yes, sir; we would have to furnish new lists.

Mr. GRAHAM. If you had the leather now, you would not have lost anything on it, would you?

Mr. LONG. Yes; I lost money on it because if we had gotten the money then and put it in other leather, we can't get the same amount of shoe leather for a proportionate value.

Mr. GRAHAM. I am mentioning that latigo leather. Latigo leather has gone up in value since then. Do you say that up to June, that latigo leather had increased in value?

Mr. LONG. Why, in June, latigo leather was a little higher.

Mr. GRAHAM. Well, about how much?

Mr. LONG. I think that latigo leather went up to about 53 cents.

Mr. GRAHAM. Fifty cents, the claim says.

Mr. LONG. Well, 50 or 53 cents, there are different grades. It was worth about 40 per cent, but if we took it at 40 per cent, we could only get 20 per cent; now in other kinds of leather, so we only got 20 per cent for it—

Mr. GRAHAM (interposing). How is that?

Mr. LONG. I say, when we took it, the same amount of money, if we had gotten 40 per cent in June, and put it in leather then, we would only have gotten 20 per cent of what—

Mr. GRAHAM (interposing). Are you claiming compensation from the Government because the value of the dollar has decreased since the armistice?

Mr. LONG. No; I am not claiming, but we suffered loss because of their failure to settle.

Mr. GRAHAM. Is that the basis upon which you put in your claims?

Mr. LONG. Not at all, sir. We make no claim. I am simply telling you that we suffered absolute losses because of the delays.

Mr. GRAHAM. You have had absolute losses because of deterioration in the value of the dollar, is that it?

Mr. LONG. Absolute losses, on account of failure to settle the claims.

Mr. GRAHAM. And consequently deterioration in the value of the dollar?

Mr. LONG. And a consequent increase in the price of leather. I wouldn't say that the value of the dollar has decreased as much as that. You can pay bills with the dollar now almost as well as you could awhile ago. Now, Mr. Chairman, may I make a statement? I have a statement that I would like to read here.

Mr. GRAHAM. What is the statement?

Mr. LONG. I have a paper I would like to read.

Mr. GRAHAM. Is it a statement of some kind?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Why, I think you had better let the committee see it, and if it is proper you can read it.

Mr. GRAHAM (after reading paper). The committee will have an executive session before your testimony is finished to consider that proposition, and if the committee thinks it advisable will let it go into the record then.

Mr. LONG. I understand I will get through this evening?

Mr. GRAHAM. Well, if we can get through with these contracts, we can allow you to go.

Mr. LONG. Well, if we can't get through my son is here. My son is as familiar with these contracts as I am, so if we do not get through with my testimony I would like to substitute him to answer the questions; and I would say this, Mr. Chairman, in regard to the profits on the contracts—on the R. H. Long contracts—during the war, that when the war began we had a number of companies doing business at Framingham. The Framingham Shoe Co. and the R. H. Long Co., and R. H. Long was doing business as a manufacturer. R. H. Long was doing business as a merchant. Now, all of those companies were consolidated, and the property was consolidated into the R. H. Long Co. the latter part of 1917, so that after the 1st of January, 1918, it is the R. H. Long Co. Now, if you want to know the profits during the war you would have to take the profits of all of those different concerns. Now, with regard to that, I would like to know if you want that information.

Mr. GRAHAM. Well, we would like an insight about the amount of profits made during the war, in view of this condition that you have here in the exhibits, and there is no way that the committee can tell anything about that without knowing what they were.

Mr. LONG. Well, you would want the records from the income tax, or profits of the different companies.

Mr. GRAHAM. Well, I should think so, in order to make it complete. When can you furnish that?

Mr. LONG. Oh, that, I can furnish that some time next week, if that will be satisfactory.

Mr. GRAHAM. Well, I judge from that that you can not give it to us any sooner.

Mr. LONG. Well, it would be a very difficult matter to get the required information. It would require some study.

Mr. GRAHAM. How many schedules did you file?

Mr. LONG. That would be another thing to be considered. The R. H. Long Co. has an interest in the Velie Body Co., that manufactures automobile bodies, and it would have some bearing on the question as to how much should go in there about our work. The whole thing would be quite difficult to get exactly, and I would like to know if that will be for the confidential use of the committee.

Mr. GRAHAM. Well, in answer to that proposition, I am informed that a statement that you offered to the committee here yesterday is in the Massachusetts press to-day, although it didn't go into our records, and that everything that seems to come up before this committee seems to have gotten into the press some way. Now, if you give out statements to the press that do not get before this committee, why, surely, whatever you give to the committee—whatever testimony is given before the committee—ought to be published. I judge you want this to be known, don't you? You want the facts to be known, don't you?

Mr. LONG. I don't see—I would like to ask you, Mr. Chairman, if you still are of the opinion that we made an exorbitant profit, and you made that statement?

Mr. GRAHAM. Well, the question is not whether statements were made to the press, but the question is whether you did or did not. That is the question that is before the people. That is the question.

Mr. LONG. Well, don't you think if you would get the average cost of settlements and the average prices of goods that were sold to the Government that that would throw more light on the subject than anything else?

Mr. GRAHAM. Well, I don't think so. I don't think what profits somebody else made would have any bearing at all on the question that is before us.

Mr. LONG. You would rely entirely on the income-tax report, would you?

Mr. GRAHAM. Well, that would be mighty good evidence. It is assumed that they are correct, isn't it? They are sworn to.

Mr. LONG. Aside from the question of their being correct—there are a good many others things that would enter into it, aside from the question of their correctness. There is a question of different kinds of business, different information, and the amount of profit.

Mr. GRAHAM. Mr. Long, there was an inquiry made of you by the committee this morning which, in my judgment, is pertinent, and it was in view of the contention that you had been wronged by certain statements that are supposed to have been made, and the committee asked you to show to them what profits you had made, and we asked along lines which would disclose facts. The first one was your personal property, as it was assessed in Massachusetts, your real estate for the years in question. The next was a disclosure by you of your income-tax return to see what your profits were, what profits you had made, and the third was a request to inspect your books, which latter

request you refused until after election. Now, I judge from what you say now that you are willing to furnish this committee with a statement of your income-tax returns, but you don't want that information made public. Is that right?

Mr. LONG. I don't think that the committee should require these things, unless they are making the same requirements of every concern that they are investigating.

Mr. GRAHAM. Well, in one case, I know, I have personally asked for income-tax returns, and I have been refused. The department refuses to let anyone see those income-tax returns. They have a rule up there in the income tax department that nobody but the department, with the exception of the individual filing the returns, can see the returns. The Treasury has a rule to that effect. I could no more get your income-tax returns on subpoena from the Secretary of the Treasury than I could fly.

Mr. GARRETT. The income-tax law provides for that.

Mr. GRAHAM. You are the only man that could get that, and I don't know whether you could, but you can try.

Now, we might as well hasten along with this, if we are to get through with it. Now, I found another contract here—and all of this is along the line of reasonableness—I understand you have stated that you didn't buy any leather at 50 per cent value; that you didn't get any salvaged stuff at 50 per cent, or less than what its value is. Now, these claims, of course, are very pertinent, and ought to be inquired about along that line, to see whether you did or whether you did not. I think your contention about that is correct. Now, I have a contract here in my hand that is numbered P-8349-5030-Eq., which is for apararejos. The first item in there is raw materials to be returned to the contractor, 55,000 pounds of black harness leather, shoulders, at 45 cents a pound, \$15,750. Added to that is the amount for overhead, making the total of \$17,214.75. Now, you got that at a value of \$7,875, or in other words, at less than 50 per cent of its cost, plus overhead, and less than, or about—yes, less than 50 per cent of the original cost, at 45 cents a pound.

Mr. LONG. Yes.

Mr. GRAHAM. Now, what have you to say about that black leather, harness leather, shoulders, Mr. Long?

Mr. LONG. Well, I got stuck on it.

Mr. GRAHAM. Why?

Mr. LONG. Yes; I was able to sell that lot of leather, and I got 18 or 19 cents a pound. I lost about 25 per cent on it.

Mr. GRAHAM. Who did you sell it to?

Mr. LONG. Bono Allen, Buford, Ga. That confirms my story, that harness leather was a good deal cheaper, because that sale of harness leather at that time was very much less. I sold that to Bono Allen, Buford, Ga., at 18 or 19 cents apound. We got it from the Government at 25 cents a pound and sold it at 18 or 19 cents, or less.

Mr. GRAHAM. Well, you got it at less than 25 cents. You got it at \$7,877, and it cost \$15,750.

Mr. LONG. We were billed at 50 per cent.

Mr. GRAHAM. 45 cents.

Mr. LONG. We paid 22½ cents on some kinds of it, and we had trouble of handling it, selling it at 18 or 19 cents.

Mr. GRAHAM. When you had an overhead of \$1,464.75.

Mr. LONG. That is a part of the general expense of that \$220,000.

Mr. GRAHAM. On this particular claim, also you have a claim of \$3,046.90 for special facilities, of which you say the present value is \$609.38. Was that a part of that general arrangement to support this cost?

Mr. LONG. Yes; that is a part of that.

Mr. GRAHAM. Then, you claim this part in addition?

Mr. ALLEN. The expense of maintaining the plant, between the periods of the discontinuance of the Government work and date of settlement, \$1,650.

Mr. GRAHAM. Are you not in the habit, Mr. Long, in cases of this kind, in charging up Government expense, for maintenance of plant, between the discontinuance of your work and the settlement?

Mr. LONG. That was a part of our general settlement of the \$220,000. That didn't begin to cover our losses on account of being prevented from getting into any regular business. On these settlements we didn't get half of our losses.

Mr. GRAHAM. I judge from what you say, then, you were fast staggering along toward bankruptcy, if these things had gone on as you say.

Mr. LONG. That is what it looked like.

Mr. GRAHAM. If these losses were what you said they were?

Mr. LONG. If we had had a few more years like this year, I guess the sheriff would have been looking for us. I might be able to get a political job.

Mr. GRAHAM. Don't expect to make anything out of that if you do, except to get cursed and abused for trying to do your duty.

Well, the next claim, I pick up, it is unnecessary to call your attention to a number unless you want it—you may remember it—this is a contract that I have here, that was mentioned by Mr. Bennett on his list, and seems to be for 8,662 pinchas.

Mr. LONG. Yes; that is right.

Mr. GRAHAM. It is for 4,477½ pounds of russet harness leather at 90 cents, \$4,299.75, with overhead of \$402.46 on it, and you value it at \$2,866.50, which was a little more than 50 per cent of its original value, and you retained it. Is that all that russet harness leather was worth; in other words, has russet harness leather deteriorated in value?

Mr. LONG. Now, Mr. Chairman, as I remember that contract, that was allowed to go to Beardmore & Co., Canadian tanners.

Mr. GRAHAM. Did you sell it to them?

Mr. LONG. They took it back; took the Government allowance on it.

Mr. GRAHAM. In that, also, you have as other items, you charge expenses, storage, insurance, handling, Government materials, to the amount of \$5,908.63; and then \$177.26, then you charge maintenance of plant, \$600, making \$777.26. How much of the cost did you have there for maintenance of plant, do you know?

Mr. LONG. The charge on that is on the \$3,000,000 leather contracts; the total charges of that is \$220,000, for facilities and maintenance, and all other charges.

Mr. GRAHAM. Now, let me see; do you mean that in all of your settlements of the leather contracts that you only received \$221,000?

Mr. LONG. That is all I received, except for materials that we turned over to the Government, for which they paid us—we only received \$220,000 altogether.

Mr. GRAHAM. Two hundred and twenty thousand dollars cash?

Mr. LONG. That pays for all losses on facilities, maintenance of plant, to carry us along until we get into business, all losses, handling charges of every description, about 6½ per cent, a little more than a man would get for selling if he took an order and didn't do anything.

Mr. GRAHAM. A tabulation of these various contracts shows the following results, here, according to Mr. Bennett, and I want to ask you whether they are correct or not, on these various claims that you have filed down here, which have been passed on, the amount paid for cancellation of these contracts charged is \$367,859.35. Do you know whether or not that is right?

Mr. LONG. Yes; that includes the payment for leather.

Mr. GRAHAM. That amount was paid for cancellation of the contracts?

Mr. LONG. That is largely amounts paid for material turned over to the Government.

Mr. GRAHAM. Is that amount correct?

Mr. LONG. It is a good deal more than we got. \$220,000 was the amount we got for the cancellation of the \$3,000,000 contracts. We got an additional sum, of course, if they took any materials, and goods that were delivered to them before they were cancelled.

Mr. GRAHAM. Do you know how much cash was paid you on these settlements?

Mr. LONG. I think about \$2,000,000 we have collected so far, and there is a half a million or so outstanding on contracts—more than that.

Mr. GRAHAM. More than that?

Mr. LONG. Yes, sir.

Mr. GRAHAM. How much more?

Mr. LONG. Why, I believe the total would be about \$750,000, and if we should go to the Court of Claims, I expect that it would be \$1,000,000 or more, if we should collect what would really be right. I think if we would collect what we are entitled to on these contracts, it would total \$1,000,000. Twice as much has been cancelled. If we were paid what we have put into plants for the Government, we would collect more than twice as much for those indefinite charges, compensation, losses, and so forth.

Mr. GRAHAM. Well, is it your purpose to go before the Court of Claims with this matter?

Mr. LONG. No; our purpose is to adjust these claims in a very moderate way as soon as we can meet with people who will use the information, and not try to conceal from us the information as to the delivery methods and so forth.

Mr. GRAHAM. Do you remember, on one occasion you had a talk with Col. Bessey and Maj. Dickinson, in which you had an altercation with them about the matter, and then finally exhibited a letter from some one in Washington; do you remember that circumstance?

Mr. LONG. Yes.

Mr. GRAHAM. Whose letter was that?

Mr. LONG. It was a letter written by Secretary Crowell, advising that we were entitled to a partial settlement when we could agree on a partial settlement. That was in accordance with the circulars of the Secretary of War, which were in order to allow contractors to get back into commercial business, when settlements should be made on such contracts, and the contractors and the Government could agree. As a result of that, we finally did get from that department a partial settlement.

Mr. GRAHAM. Did you tell these gentlemen that if they didn't settle these matters you would take it over their head to somebody that would?

Mr. LONG. I believe I told them that they didn't know much about this business and that I would probably find somebody above them that did.

Mr. GRAHAM. That is your opinion still?

Mr. LONG. My opinion is very much more confirmed than it was then.

Mr. GRAHAM. Now, this statement—tabulation here—shows that the original cost of the property taken over by you was \$351,404.77 and that you allow for that property taken over \$195,991.04. Do you know whether those figures are approximately correct?

Mr. LONG. Yes; I should say they are.

Mr. GRAHAM. The statement also shows that you received for maintenance, insurance, etc., a total of \$73,448.82.

Mr. LONG. That is a part of that \$220,000.

Mr. GRAHAM. Well, I am getting to that now. Did you say that is a part?

Mr. LONG. Yes, sir; everything relating to maintenance of plant—overhead—that is a part of it; a part of that \$220,000.

Mr. GRAHAM. The evidence, Mr. Long, shows before this committee this to be true: The maintenance of plant, interest, etc., the sum was \$73,448.82 and another charge of \$22,285.33, and for special facilities \$28,673.41; that you were allowed for special facilities \$44,080.43. Now, do you know whether or not that statement is approximately correct?

Mr. LONG. I should say; but that includes a whole lot of special facilities on other contracts where we went out and bought something especially for that very contract.

Mr. GRAHAM. Well, did you receive special facilities that cost \$28,673.41 and then allow for them \$44,080.43?

Mr. LONG. No; I don't think that is right; there is a mix up some way.

Mr. GRAHAM. Well, the statement before this committee on contracts that have been offered in evidence here, in which these tabulated figures are based, show that to be true. You say it isn't true?

Mr. LONG. Yes; it is mixed up in some way. We received on the leather contracts \$220,000, approximately, for account of special facilities and maintenance of plant and other charges to carry us along until the time that we could get back in business. Now, there are some other contracts—one or two contracts—in which we received—had special facilities. Those are peculiar circumstances in connection with the contracts.

Mr. GRAHAM. You stated, did you not, that you got 20 per cent, for special facilities—

Mr. LONG (interposing). What I stated was that we took the cost on special facilities, and then we allowed 20 per cent on those special facilities—that is, machinery, etc. That balance was from four to five hundred thousand dollars, and that was set up against the total contract of about \$35,000,000, so the amount collected on that was about 10 per cent on this \$3,000,000, because \$3,000,000 would be a little less than 35 per cent.

Mr. GRAHAM. Well, this shows that the total for special facilities was \$228,673.41, and that you allowed for it, \$44,080, approximately one-fifth of its cost, and the question in my mind is whether that is correct. The figures show that to be true.

Mr. LONG. You have the unit allowance mixed up in there for textiles. (After examination of documents and informal discussion).

Mr. GRAHAM. Now, Mr. Long, let me call your attention to the fact that this is the situation, there has been introduced here, that this does not include only the leather contracts, that it includes all settlement made by you; how many are there—61 or 62 settlements? And that is for the leather contracts, and so on.

(Conferring with witness as to documents).

Mr. LONG. That statement is correct. The total amount received for facilities is about \$106,000, a little less than \$106,000; \$81,281, on leather; \$24,644.52 on the textiles.

Mr. GRAHAM. Well, it will be necessary to go through all of these contracts, then, and find out how much that is in direct conflict between you and Mr. Bennett, on that proposition.

Mr. LONG. I would say that on these amounts charged, the amounts paid to us on the contracts, there were large amounts that we had turned over to subcontractors on account of subcontractors.

Mr. GRAHAM. All this committee can tell about this special claim and what was allowed you, and we are informed by this tabulation that these figures—if they are correct—if you say they are not true, we will have to go through all of these contracts and find out, that is all there is to it, because the facts must be shown.

Mr. LONG. Well, you are wrong on that, Mr. Chairman. The leather contracts were \$81,000, and we only received, charged for facilities on the other contracts, amounting to \$24,000.

Mr. GRAHAM. Mr. Bennett. Have we all of these contracts here?

Mr. BENNETT. Yes, sir.

Mr. LONG. You have got it mixed up, the total charge and the total value, in some cases is not what was collected.

Mr. GRAHAM. How is that?

Mr. BENNETT. May I explain a little bit on that. This item here relates to—

Mr. GRAHAM. Explain it in the record.

Mr. BENNETT. There are two items, \$51,906.68 each, that are charged to special facilities; do you want me to explain those contracts?

Mr. GRAHAM. Yes; explain that; that is where I think the special facilities and that evidence conflicts.

Mr. BENNETT. Now, in those two items, that is evidently charged Mr. Long, approximately \$17,000, which is deducted from about \$104,000, which would leave \$87,000, and from that \$87,000 should be deducted from \$228,000. That relates to a contract that had

previously been completed, those items in these two particular cases. They charge us \$51,000 and then charge back on the contract that had been completed, approximately \$1,000,000 on the three contracts, then they charge on this contract that was partially canceled—

Mr. GRAHAM. Lets get that straight. How much were these?

Mr. BENNETT. Why, he charges on each one of the contracts \$51,906.68.

Mr. GRAHAM. On the 300,000 pack carriers?

Mr. BENNETT. Yes. And in the 300,000 haversacks they charge the same amount, in both contracts, but then they go to work and take those off of the claims as an absorption.

Mr. GRAHAM. Now, tell about this—is this in the statement [indicating]?

Mr. BENNETT. That is not in this statement, but in the accompanying figures that Mr. Long has got there. The machinery is about \$17,000. This is the way the figures state that amount that is charged up in—

Mr. GRAHAM. Are they charged to special facilities in these contracts?

Mr. BENNETT. Yes, sir; for special facilities in these contracts; then the total amount charged to special facilities on all of the contracts is \$228,673.41.

Mr. LONG. May I interrupt, Mr. Bennett. Mr. Chairman, Mr. Bennett is all balled up, and he has got items there that are not right. We only estimate that we got \$81,000 on the leather contract, and \$24,000 on the other contracts. He says we have got it charged in there. That is on something else.

Mr. BENNETT. Don't worry about that.

Mr. GRAHAM. You mean to say you received \$228,000?

Mr. LONG. No, sir; I did not make any statement to that effect; that is what the chairman is trying to convey that we received.

Mr. GRAHAM. No; I say you charged that much?

Mr. LONG. We didn't charge. We simply went to work and got the materials in and charged the Government for it.

Mr. GRAHAM. Exactly so; put the cost in. Now, lets take this, and find out the way you do it.

Mr. LONG. Take those two contracts in question.

Mr. GRAHAM. Yes; find those two contracts.

Mr. LONG. Those others that you mention you have are all right as far as I can see.

Mr. GRAHAM. Now, we have these two contracts, over which there is a controversy between you and Mr. Bennett. This seems to be the total amount that was charged for the facilities and the total amount that was allowed back for the two items that seem to be in controversy. One is on contract P-8340-5021-Eq., for 300,000 pack carriers, and the other one, the other contract is numbered 8051-4926-Eq., for 300,000 haversacks, each one of the items being for the amount of \$51,906.68, for special facilities. Now, in one of your statements, however, Mr. Bennett, there is a charge for special facilities—

Mr. BENNETT. No; my statement only has \$3,900 on one and \$11,000 on the other.

Mr. GRAHAM. The statement, however, is made in this tabulated statement, which you say is not correct, those two items being charged, you say is not correct?

Mr. BENNETT. I only charged \$3,900 on one and——

Mr. GRAHAM (interposing). Let's read the special facilities. The first item is \$51,906.68. Now, that is the cost of special facilities, as you are making it in this claim, isn't it?

Mr. LONG. Yes.

Mr. GRAHAM. Well, then, if that is true, both of the totals together for special facilities, the amount enumerated here is \$228,673?

Mr. LONG. No; that cost was \$51,000, which was the cost of those special facilities for the two contracts.

Mr. GRAHAM. Exactly.

Mr. LONG. That is the cost of the two contracts.

Mr. GRAHAM. Yes; I understand.

Mr. BENNETT. Now, the charges made on that, there are three of them. One is \$3,900, and one is \$11,000, and on the other one——

Mr. GRAHAM (interposing). This, in Mr. Bennett's statement, which you say is incorrect, under the head of special facilities he gives the cost of special facilities as charged in the contracts, and in settlement——

Mr. LONG (interposing). Well, it isn't right. We have—we took the cost of special facilities for \$665,000——

Mr. GRAHAM (interposing). I will go into that.

Mr. LONG. All right.

Mr. GRAHAM. I desire to find out how you got this \$51,000 in each case; now, then, you charge up, you say, the cost of special facilities in each of these two cases, is \$51,906.68. Now, in each case that was a loom.

Mr. LONG. That was in connection with looms.

Mr. GRAHAM. What was it?

Mr. LONG. Looms, and other machinery that were connected with them.

Mr. GRAHAM. What were you going to do with them?

Mr. LONG. Manufacture webbing.

Mr. GRAHAM. When did you buy those looms?

Mr. LONG. Bought them in the latter part of 1918; made a trade for them in 1918, in the summer of 1918.

Mr. GRAHAM. Now, do you remember on this contract which you had for haversacks, 300,000 haversacks, you had charged——

Mr. LONG (interposing). We had a lot of contracts for haversacks.

Mr. GRAHAM. Do you remember contract No. P-83 40-5021-Eq? Now, what do you mean by 5021-Eq?

Mr. LONG. That was a contract for pack carriers.

Mr. GRAHAM. For pack carriers?

Mr. LONG. Yes.

Mr. GRAHAM. Well, did you use the looms in making pack carriers?

Mr. LONG. We used web for pack carriers and haversacks.

Mr. GRAHAM. How many were you making?

Mr. LONG. We were to make 300,000.

Mr. GRAHAM. Did you finish them?

Mr. LONG. We didn't quite finish them.

Mr. GRAHAM. You did not finish that contract?

Mr. LONG. No; not quite.

Mr. GRAHAM. That is the former one I am speaking about, 5021-Eq?

Mr. LONG. No; we did not finish that.

Mr. GRAHAM. Did you ever file a claim for it?

Mr. LONG. Yes, sir; certainly we filed a claim for that part that was canceled for pack carriers, totaling \$3,942.27.

Mr. GRAHAM. Well, why did you say here loss of supplies, in 5021-Eq; what does that mean?

Mr. LONG. That means we paid \$5,000 for looms and setting them up for the purpose of manufacturing webbing to go on the contract for 300,000 pack carriers on contract No. 5021 and 300,000 haversacks on contract No. 4926. Now, we finished most of these two contracts, each of the contracts, so we only charged in our loss on the looms and machinery connected with it in proportion as the amount of the unfinished contract bore to the value of the looms.

Mr. GRAHAM. Well, what was the value of the looms?

Mr. LONG. We sold them for \$10,000, and we have never gotten the \$10,000. That is just what we got for them, and we charged the balance to the proportion of the contract that was unfinished.

Mr. GRAHAM. The looms cost \$51,906.68 apiece; how long did you use them?

Mr. LONG. No; that is the total.

Mr. GRAHAM. The looms and the outfit; how long did you use that outfit?

Mr. LONG. Why, we used it a very short time. As a matter of fact, we never could get them to work properly.

Mr. GRAHAM. And then you sold them for \$10,000?

Mr. LONG. We sold them for \$10,000 and charged the balance, which was our loss, \$41,000, and then that part of that \$41,000 was charged to the Government; that is, the proportion of the contract that was unfinished.

Mr. GRAHAM. Does this mean both of these loom outfits?

Mr. LONG. Why, this is all one.

Mr. GRAHAM. Just one loom?

Mr. LONG. Why, it is a lot of looms, there are a lot of looms in that amount, \$51,000.

Mr. GRAHAM. Well, for this \$51,000 in each claim, it is the same item.

Mr. LONG. That is the same item; yes, sir. That is what I have been trying to explain.

Mr. GRAHAM. And who did you sell those to?

Mr. LONG. We sold them to the party that we bought them from.

Mr. GRAHAM. Who was that?

Mr. LONG. That was a concern in Fall River—Kilburn-King Co., of Fall River. We sold them to them, and they do not have the money to pay for them, and I don't expect to get the money.

Mr. GRAHAM. Now, you say that these two contracts that I have here, one for 300,000 pack carriers, and the other contract for 300,000 haversacks, are the two contracts for which you expended this \$51,906.68?

Mr. LONG. Yes, sir.

Mr. GRAHAM. And that the references in these two claims, your contract 4926-Eq and contract 5021-Eq refer to these two machines?

Mr. LONG. There is just one machine used in both contracts.

Mr. GRAHAM. That is what is referred to by these two contracts?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Well, why are they numbered differently from what you have got in your claims?

Mr. LONG. Why, that is not the number given this so far as I know. If you will look, you will find that the numbers on the contracts are different. This contract (indicating) for instance, is for 300,000 haversacks, and its number is 8051-4926-Eq.

Mr. GRAHAM. The other one seems to be numbered P-8340-5021-Eq. Those are the numbers?

Mr. LONG. No, those are two different contracts.

Mr. GRAHAM. I know, but those numbers cover the contracts?

Mr. LONG. Yes, sir.

Mr. GRAHAM. You never had any contracts prior to these contracts, prior to the time you purchased these looms?

Mr. LONG. We never produced anything on those looms. We bought them for the purpose of helping the Government get a supply of webbing. Then we bought about \$200,000 worth of yarn, which we didn't use, and for which we are not able to get any claim.

Mr. GRAHAM. For what did you purchase that yarn?

Mr. LONG. We purchased that yarn for the purpose of manufacturing webbing.

Mr. GRAHAM. Well, that, I suppose, isn't worth anything, either?

Mr. LONG. Why, we will get something out of it. We have sold some of it, but we have lost a large amount of money on it.

Mr. GRAHAM. Well, do you say to the committee that the price on that particular part of yarn has gone down?

Mr. LONG. We bought it for 62 cents, 62 to 66 cents; we sold it for 50 cents a pound and at 40 cents a pound. That was the best price we could get for it, and we have been trying pretty hard, and we had to sell it on the installment plan, and the man that is taking it is using it and paying money on it from month to month as he sells it to the retailers.

Mr. GRAHAM. Well, how do you figure, then, that the prices on that yarn have gone down when the prices of yarn on the market have gone up?

Mr. LONG. Why, special yarns, like special machinery, or anything that is out of style, can't be sold. That has no regular commercial value. That was special yarn for the purpose to be used in this lot of material, and there isn't any market for it.

Mr. GRAHAM. Had you paid for this \$51,000 worth of machinery when you bought it?

Mr. LONG. When I bought it?

Mr. GRAHAM. Yes?

Mr. LONG. I paid for it after I bought it.

Mr. GRAHAM. Did you pay for it before you turned it back?

Mr. LONG. Oh: yes, yes; I advanced money on it before I got it.

Mr. GRAHAM. Then you turned it back at \$10,000. Had you used it at all?

Mr. LONG. We tried to use it, but we couldn't make it go. It wouldn't work.

Mr. GRAHAM. Well, was there no guarantee attached to them that they would work?

Mr. LONG. They were guaranteed, but they were not any good, financially. We were stuck trying to help the Government get a new supply. We took a lot of chances. I think I was rather foolish, the way it looks now, and the roasting I have gotten on this proposition. It was fine when they were looking for the material and wanted the goods.

Mr. GRAHAM. Sir?

Mr. LONG. I say it was fine—everything was lovely and we were pretty good fellows when the soldiers didn't have the equipment and they wanted us to get out the goods any way.

Mr. GRAHAM. Now, let's see about that, Mr. Long. Do you think that the Government pursued you, to try to get you to take these contracts, or did you take them voluntarily?

Mr. LONG. I did everything I could to supply the goods for the Army.

Mr. GRAHAM. Well, you were as anxious to get the contracts as they were to give them to you?

Mr. LONG. I wasn't anxious; I knew that I could make goods as well as other people.

Mr. GRAHAM. Why did you get all of this machinery and get ready for War Department orders if you didn't expect to profit?

Mr. LONG. As a patriotic citizen, to use all of my resources to help win the war.

Mr. GRAHAM. That is what you were getting all of these facilities here for?

Mr. LONG. I did a lot of things that nobody else did during the war.

Mr. GRAHAM. Well, now——

Mr. LONG (interposing). That is only instance there where I paid out \$51,000 on machinery and didn't get anything on it, and sold it for \$10,000 to a man with bad credit.

Mr. GRAHAM. Well, you didn't lose anything by doing it?

Mr. LONG. Lose? Yes; I lost. I had——

Mr. GRAHAM (interposing). Didn't you charge it up to the Government?

Mr. LONG. I got \$15,000 from the Government.

Mr. GRAHAM. Do you think that it was a positive benefit to the Government to buy \$51,000 worth of machinery for the Government, and then get it back from the Government for \$10,000?

Mr. LONG. I did that at the request, and with the approval of men in the Government service, to create a new supply so as to supply the webbing. All contractors were more or less delayed because there wasn't enough machinery in use to produce the webbing. They were using all of the facilities in the regular loom manufactures, and these were looms that these men were making as an experimental proposition; that is what they were, experimental.

Mr. GRAHAM. And did you know anything about making webbing before you went into this?

Mr. LONG. No, sir.

Mr. GRAHAM. Did you know anything about making these other war goods?

Mr. LONG. Oh, yes.

Mr. GRAHAM. You did?

Mr. LONG. Yes; I had been manufacturing a good many articles.

Mr. GRAHAM. You had been making for the Russian and English Governments?

Mr. LONG. I had made some for the English Government.

Mr. GRAHAM. Did you find that very remunerative?

Mr. LONG. Yes, sir; I guess I did.

Mr. GRAHAM. Wasn't it your expectation that you would make a profit on these contracts?

Mr. LONG. Well, I expected to make a reasonable profit, but I was willing to take more chances than anybody else in the line of goods we were making.

Mr. GRAHAM. What did you pay in general, if you can remember, in general, for leather goods, that you took over from time to time?

Mr. LONG. We paid according to the regular schedule, which was on black leather, 85 per cent; on russet side, 66½ per cent; on russet strap leather and backs, 50 per cent.

Mr. GRAHAM. And you took all of this leather you got from time to time at those prices?

Mr. LONG. Yes, sir; and turned it over to the subcontractor from whom we had purchased the leather.

Mr. GRAHAM. Who were your principal subcontractors?

Mr. LONG. N. R. Allen & Co., Kenosha, Wis.; Graydon & Knight Co., and also the Beardnow Leather Co., of Toronto.

Mr. GRAHAM. Did you keep any of that leather in your factory that you took over, Mr. Long?

Mr. LONG. Very little.

Mr. GRAHAM. Well, about what proportion of it did you charge?

Mr. LONG. About 15 or 20 per cent. Then, the only leather that I can recall that we kept was pieces that no one else wanted.

Mr. GRAHAM. What was that?

Mr. LONG. Largely scrap pieces.

Mr. GRAHAM. Were you able to use them in any way?

Mr. LONG. Yes.

Mr. GRAHAM. In your business?

Mr. LONG. We used them—I used these scrap pieces, the scrap leather, in place of a flexible split leather for inner soles.

Mr. GRAHAM. In the shoe business?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Most of these—a good many of these contracts, in the cancellation, I find you have made a standard allowance of 21 cents, for instance, here is 32,959 meat can pouches, cancelled at 21 cents; how did you—

Mr. LONG. That was 2.1 cents. That, Mr. Chairman, was an arrangement that we made with the contracting officer, fixing a unit allowance on textile goods, and I assisted in bringing down the price to lower than the other contractors wanted to take.

Mr. GRAHAM. Where did you do that?

Mr. LONG. At Washington, in the department's office in Washington.

Mr. GRAHAM. Do you remember the particular occasion when you were able to bring down the price?

Mr. LONG. Yes, sir.

Mr. GRAHAM. When was that?

Mr. LONG. Soon after the armistice.

Mr. GRAHAM. Soon after the armistice was signed?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Did you try to bring it down before the armistice?

Mr. LONG. There was no question of adjustment of contracts until after the armistice.

Mr. GRAHAM. How long—you don't remember about how long after the armistice?

Mr. LONG. As I remember, it was about a month after the armistice.

Mr. GRAHAM. Who was there, then?

Mr. LONG. Different contractors. Maj. Shinkle, represented the Government, and some others, and there were some contractors, I think they were all textile-goods manufacturers. It was the lowest settlement that was made on contracts, that was made by any department, connected with the manufacture of military supplies, I believe. It was less than the prices a salesman would charge for selling goods. It averaged about $3\frac{1}{2}$ per cent.

Mr. GRAHAM. I want to ask you about another thing. There is a statement here that has been made by Mr. Bennett, about latigo strings; how much do you say was wasted there when you cut those latigo strings?

Mr. LONG. Why, I should say about two-thirds was wasted.

Mr. GRAHAM. You can only cut one-third?

Mr. LONG. I believe about one-third. For instance, that is the length [indicating], and you cut a piece out about like that [indicating]. That is as much as you could cut. You could not cut down into the belly, because the straps have to be good straps, and you could not cut down this way [indicating], because it would not be long enough. You could only get one. You could not cut across, because it would not do. Mr. Bennett does not know about that; he does not know much about it.

Mr. GRAHAM. The rest of that side, then, you figure as waste?

Mr. LONG. Yes; but it does not make any difference. The waste in that belongs to the contractor. That would not have any bearing on it. It was simply the amount of leather required to get the material necessary to undertake the order. If they were not right, they would be rejected. If they were rejected the manufacturer would suffer the loss; the Government wouldn't take any rejects. We used the Rock Island allowance in regard to latigoes.

Mr. GRAHAM. What is that allowance?

Mr. LONG. Well, they are different on different things, but they have got the figures. We got the figures from them, and they have had experience in manufacturing them.

Mr. GRAHAM. Have you got the figures here?

Mr. LONG. No; I haven't got the figures here, but there is a tremendous amount of waste.

Mr. GRAHAM. Well, can you get those figures, so we can see them?

Mr. LONG. Oh, yes. Why, we can send for them and have them in a few days. If you can give me a copy of that testimony I can get them for you, furnish them for you. It is not reasonable to assume that we would undertake to buy leather, except to protect the

United States and the Government, for the amount of orders that we had. We took chances when we bought more leather than was needed. When I bought this leather, I considered that it was cheap to fill the order. We were holding an umbrella over the Government when we anticipated and secured supplies in excess of the orders. We were taking chances. That leather all had to be made special. There was very little of it in use in this country, so that it was something that was not manufactured, except in very limited degrees.

Mr. GRAHAM. The next case is for 20,000 ration bags, which cost \$97,000. There were 34,400 square feet of latigo leather to cut 13,930 square feet of leather, according to this.

Mr. LONG. I should say that there would be surely that much waste.

Mr. GRAHAM. Well, was the entire hide made into latigo leather; was the department just cutting parts of it suitable for latigo?

Mr. LONG. If that were a side of leather [indicating] you could only get one out of the whole side. It is 50 inches, as I remember it. A hide is 80 inches. You can only get one piece cut, and you can only cut certain parts of it; you can not use the bellies for it.

Mr. GRAHAM. What I am asking you about with reference to the leather that was cut for the Government, wherever it was cut for latigo, was the entire side used, or only that part suitable for latigo?

Mr. LONG. Oh, we got the entire side.

Mr. GRAHAM. Was it tanned for that purpose?

Mr. LONG. Yes; specially tanned for that purpose.

Mr. GRAHAM. Why was the entire hide tanned when you could use only that?

Mr. LONG. Well, that—the rest could be used for some other purpose, some other things. It could be used for some other purposes, perhaps, the rest of it; but it would be worth about 25 per cent of the cost of the whole hide.

Mr. GRAHAM. Well, now, I am going to go along without spending a lot of time here, as I understand that you are very anxious to get away. I want to finally know, if I can, whether you obtained any of the information since the session this morning, about the matter of your assessment taxes in Massachusetts?

Mr. LONG. No, sir.

Mr. GRAHAM. Did you endeavor to ascertain it?

Mr. LONG. Well, there is no way I could ascertain.

Mr. GRAHAM. You could not ascertain it by telegraph or telephone?

Mr. LONG. No.

Mr. GRAHAM. Can you tell this committee, now, in any way how much you have increased your personal wealth by reason of war contracts during this war?

Mr. LONG. Yes, sir.

Mr. GRAHAM. Well, how much?

Mr. LONG. Well, between the different companies, perhaps seven or eight hundred thousand dollars—no, after paying taxes, perhaps three or four hundred thousand dollars.

Mr. GRAHAM. Now, how much has the holdings of your R. H. Long Co. been increased?

Mr. LONG. I mean, altogether, altogether they have been increased, perhaps, four or five hundred thousand dollars net.

Mr. GRAHAM. Will you procure for this committee and send to us a statement of the amount paid by you for taxation from the various—personal taxation—for the various years from 1914 to 1918, inclusive?

Mr. LONG. Well, I don't see that that is material.

Mr. GRAHAM. Sir?

Mr. LONG. Well, I do not see how that is material. That information, if you want it, I can get it, if you will keep it secret. I would rather have you get that in your own way. I don't think it is fair to ask me to do that.

Mr. GRAHAM. Are you willing?

Mr. LONG. I am willing to give the information, showing the profits made by my business. Outside of that, I do not see that it is a fair proposition for you to ask me that kind of a question.

Mr. GRAHAM. Are you willing, Mr. Long, to get for this committee, what you mentioned this morning, excerpts from your income tax returns for Federal taxation, of your own, and your companies, showing the rates for Federal taxation during the years of this war?

Mr. LONG. I would ask that you keep that confidential. I do not think that is fair to publish that, to make that public. For your own information, I can furnish it to you.

Mr. GRAHAM. How soon could we have that?

Mr. LONG. Why, you can have that within two or three days.

Mr. GARRETT. Mr. Chairman, is it your purpose to ask him to furnish that income-tax information now?

Mr. GRAHAM. Well, I thought we three here would determine that in a few minutes, when we had an executive session, and took up those various statements that Mr. Long wants to make. We would have to have an executive session to determine these things.

Mr. JEFFERIS. Did you have any contracts for haversacks or pack carriers in 1917?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Do you know the amount of that contract?

Mr. LONG. I think the contract for haversacks and pack carriers was two and one-half million dollars.

Mr. JEFFERIS. Well, what machinery did you make them with?

Mr. LONG. We made them with our regular machinery. This is a special claim for machinery on these latter contracts. It was not for manufacturing haversacks; it was for manufacturing, for increasing the supply. The Government needed webbing to be used on those haversacks.

Mr. JEFFERIS. Isn't this for machines for making haversacks?

Mr. LONG. This is for making webbing for haversacks.

Mr. JEFFERIS. I understood you to state that those two machines, costing \$51,000 each—

Mr. LONG (interposing). No; there were seven or eight looms, and machinery going with them. They, altogether, cost \$51,000, for those looms, and setting them up, and the electrical motors, and other things connected with them. I will correct that. I believe there were 17 looms. The total account, anyway, was \$51,000.

Mr. JEFFERIS. Twice that?

Mr. LONG. \$51,000, altogether, and we collected from the Government on that \$51,000.

Mr. JEFFERIS. Now, then, the entire charge of the \$51,000 was charged against the Government?

Mr. LONG. No, sir; only \$15,000.

Mr. JEFFERIS. Didn't you put your facilities and cost—

Mr. LONG (interposing). No; we only put a charge on our losses, on those, on that part—

Mr. JEFFERIS (interposing). I know, but getting at that, you put in the first cost, didn't you?

Mr. LONG. Well, we made a record of it, but the Government only paid us \$15,000.

Mr. JEFFERIS. Well, I know. That is because you did not finish the contract. But this tabulation here shows what you have charged for facilities, against the Government.

Mr. LONG. No; we didn't charge the Government with anything except the amount paid. If we had been allowed to finish that contract—and as a matter of fact had been like some of the others that were handling Government contracts, finished, we could have, in a little over a month, made \$75,000 on finished goods, because we had nearly all of the work completed when they told us to stop.

Mr. JEFFERIS. The contract provided for special facilities, and you charged a part to the Government?

Mr. LONG. No; but the contract provided that the Government should pay us for our goods, and if we had been allowed to finish the contract we would have no claim against the Government, but the fact that they asked us to cancel and caused a large loss by cancellation, we have a claim against the Government. We didn't ask them to reimburse us for all of our losses, but just a small—

Mr. JEFFERIS (interposing). How is that?

Mr. LONG. A little of it.

Mr. JEFFERIS. I know, but the contract did not provide for the Government to pay any money for machinery or equipment, or what you call facilities.

Mr. LONG. But the contract provided that the Government would take these goods from us, and when the armistice came, they said, "We don't want those goods, will you stop manufacturing them?" and to save the Government money we stopped manufacturing them and they said they would reimburse us for our losses. In that particular case, we could have turned out all of those haversacks and pack carriers on those orders within 30 days.

Mr. JEFFERIS. You charge a part of the facilities under the purchases, is that it?

Mr. LONG. Yes.

Mr. JEFFERIS. You are trying to make it pay for your facilities?

Mr. LONG. No; we did not try to make this order pay for it, we just charged to help out a little.

Mr. JEFFERIS. Then, you just charged to pay for your losses?

Mr. LONG. That is all.

Mr. JEFFERIS. How did you split your losses with the Government? Did you go 50-50 about it?

Mr. LONG. Well, we charged all of those losses, the proportion of the losses, as compared with the amount of the contract unfinished, for instance—

Mr. JEFFERIS (interposing). Well, now, you made a profit of \$75,000?

Mr. LONG. Yes; we would have, because we had all of that stuff practically done. It would only have taken a small amount of work to have completed it, and we would have a profit on those goods.

Mr. JEFFERIS. What is the price of those?

Mr. LONG. About \$425,000 that we would have. There were about 100,000 pack carriers at about \$450,000, which is the value. We would have finished that in a month.

Mr. JEFFERIS. And out of that \$450,000 you would have made \$75,000?

Mr. LONG. Yes; because we had accomplished a great part—

Mr. JEFFERIS (interposing). You say, if you had completed the unfinished of the \$450,000 contract, you would have made a profit of \$75,000?

Mr. LONG. We would have.

Mr. JEFFERIS. By completing it?

Mr. LONG. Yes.

Mr. JEFFERIS. Now, was that about the basis of your profit on these contracts would run, \$75,000 on \$450,000?

Mr. LONG. No; our profit on contracts generally was less than 4 per cent.

Mr. JEFFERIS. Well, then, this would have been real cream, if you had finished?

Mr. LONG. Well, if I can make it clear to you, that was almost done. Our work was nearly done, and they stopped us.

Mr. JEFFERIS. I understand that; but, as I understood, if you had completed, the cost to the Government would have been about \$450,000?

Mr. LONG. Yes.

Mr. JEFFERIS. That would have been for finished haversacks?

Mr. LONG. Yes.

Mr. JEFFERIS. You would have had \$75,000 profit in your pocket, too?

Mr. LONG. That is the way. We lost \$75,000.

Mr. JEFFERIS. Was that one of the best contracts you had, if you had completed it?

Mr. LONG. Yes, sir; that was. We had had experience in making these articles; a great deal of experience in the beginning. We had gotten everything together, and it would have been a small cost to have finished.

Mr. JEFFERIS. Now, suppose you had completed the other contracts that you had stocks for, how much profits would you have made on them?

Mr. LONG. Which one?

Mr. JEFFERIS. Pack carriers, for instance?

Mr. LONG. I mean pack carriers and haversacks, both, because they were practically done. All they needed was a small amount of work to complete them.

Mr. JEFFERIS. Well, that would have been a pretty good profit, wouldn't it, \$75,000 on \$450,000?

Mr. LONG. Well, we had experienced losses.

Mr. JEFFERIS. I see; if you had completed it, you would have had a profit?

Mr. LONG. We had a big loss in not completing it.

Mr. JEFFERIS. You lost \$75,000?

Mr. LONG. Well, we didn't lose quite all of \$75,000.

Mr. JEFFERIS. Now, then, this contract that you had for pack carriers, back in 1917—that was for about two million dollars, about a two-million-dollar contract?

Mr. LONG. That was for about two and a half million dollars.

Mr. JEFFERIS. Did you complete that?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. How much profit did you get on that?

Mr. LONG. Well, it would be pretty hard to tell. We had a lot of equipment to pay for.

Mr. JEFFERIS. It would depend upon how much equipment you charged to that contract?

Mr. LONG. If we had charged all of it we would have lost money.

Mr. JEFFERIS. You didn't charge that equipment all against that contract, then?

Mr. LONG. No; not all. If we had we would not have made the low prices to the Government. Some did, and that is why they didn't get the business.

Mr. JEFFERIS. How many pack carriers did you finish, and how many haversacks?

Mr. LONG. We had an order for some 400,000 haversacks and pack carriers at \$4.79 apiece.

Mr. JEFFERIS. Apiece?

Mr. LONG. Apiece.

Mr. JEFFERIS. What is the size; just describe one of those.

Mr. LONG. Oh, a haversack and a pack carrier is what they carry the soldier's clothing in—a good many other things—other articles.

Mr. JEFFERIS. What are they made out of?

Mr. LONG. They are made out of duck, webbing, and hardware.

Mr. JEFFERIS. And cost how much, about?

Mr. LONG. Four dollars and seventy-nine cents.

Mr. JEFFERIS. You were paid that—\$4.79, cost?

Mr. LONG. That would be a matter of bookkeeping. If we charged all of the facilities, we would have lost money.

Mr. JEFFERIS. Well, you had those?

Mr. LONG. No; we bought those facilities at that time.

Mr. JEFFERIS. Bought facilities for that?

Mr. LONG. Yes; and then as the business grew we kept buying facilities; kept buying machinery.

Mr. JEFFERIS. How much facilities did you purchase in the \$400,000 pack-carrier contract?

Mr. LONG. How is that—that would be only one case.

Mr. JEFFERIS. Well, you didn't lose anything on that contract, did you?

Mr. LONG. If we had charged all of the facilities against that contract, we would have lost money on the facilities provided.

Mr. JEFFERIS. Did you, or did you not?

Mr. LONG. No; I figured that the war would last a couple of years, and we figured our facilities over that time.

Mr. JEFFERIS. Did you charge any facilities on that?

Mr. LONG. How was that?

Mr. JEFFERIS. Did you charge any facilities on that against the Government, for pack carriers, in 1917?

Mr. LONG. Why, we couldn't make any account of that. When we got an order for so much, we bought facilities and paid for them; we did not make any practice of charging facilities against any particular contract.

Mr. JEFFERIS. Well, did you need any facilities to do that work?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Now, all of that was charged in the cost which you charged the Government for haversacks and pack carriers?

Mr. LONG. No.

Mr. JEFFERIS. You didn't figure on that at all?

Mr. LONG. We figured on facilities as aiding on all contracts. For instance, we spent something over \$1,000,000 for new equipment; perhaps \$1,500,000.

Mr. JEFFERIS. You mean altogether?

Mr. LONG. Yes.

Mr. JEFFERIS. During the war?

Mr. LONG. During the war.

Mr. JEFFERIS. During all of your contract experience?

Mr. LONG. Of this war, yes.

Mr. JEFFERIS. And of that, how much of that \$1,000,000 did you charge back against the Government \$655,000?

Mr. LONG. Well, we charged all except what we thought that the stuff that was left was worth.

Mr. JEFFERIS. How is that?

Mr. LONG. Well, we charged all except what we thought that the stuff that was left was worth.

Mr. JEFFERIS. The stuff that you have; that is worth, all of it that you have retained, about 20 per cent?

Mr. LONG. About 20 per cent; 20 to 40 per cent, and we find that we ought to have charged more, as we see it now.

Mr. JEFFERIS. Well, you mentioned some facilities here amounting to \$655,000.

Mr. LONG. Yes.

Mr. JEFFERIS. Was that just simply leather contracts?

Mr. LONG. That included some leather, and some textiles. That didn't include any buildings.

Mr. JEFFERIS. That is in the statement as \$655,000?

Mr. LONG. That is used as a basis of some of our settlements.

Mr. JEFFERIS. Well, that you retained, as I understood, 20 per cent was the cost?

Mr. LONG. The basis was, on that 20 per cent, and it wasn't worth that.

Mr. JEFFERIS. Well, that was machinery; wasn't it?

Mr. LONG. Yes; some of it.

Mr. JEFFERIS. So, that would mean, then, that the machinery that cost, for which you charged the Government \$655,000, that you retained that at 20 per cent, or one-fifth of that cost, or about \$130,000?

Mr. LONG. Yes.

Mr. JEFFERIS. Now, the leather, as I understood that, you had purchased to fill these contracts?

Mr. LONG. Yes.

Mr. JEFFERIS. Of course, that was charged to the Government at cost price?

Mr. LONG. Why, no, the leather we used to make the articles, was charged to the Government, when finished.

Mr. JEFFERIS. I mean that you hadn't completed?

Mr. LONG. What we had left?

Mr. JEFFERIS. Yes?

Mr. LONG. Yes.

Mr. JEFFERIS. In other words, what leather you had left was charged to the Government at cost price?

Mr. LONG. That is it.

Mr. JEFFERIS. Then you retained it at what percentage of the cost price?

Mr. LONG. We retained that at the various percentages, according to the general schedules that they had.

Mr. JEFFERIS. Now, then, that schedule that was gotten up here when the manufacturers were all down here at Washington?

Mr. LONG. I understand so; I did not have anything to do with the making of that schedule at all.

Mr. JEFFERIS. That permitted you manufacturers to obtain black harness leather at 85 per cent of the cost?

Mr. LONG. Yes, sir. All of them lost money that did it.

Mr. JEFFERIS. And the other leather at what price?

Mr. LONG. Russett side leather, 66½ per cent; russet backs, at 50 per cent.

Mr. JEFFERIS. Well, now, you retained some of that harness leather, and in your claims you put that down, less 85 per cent?

Mr. LONG. No; only the pieces.

Mr. JEFFERIS. Only the pieces?

Mr. LONG. Shoulders; yes. Then we sold what we got, and then we charged it.

Mr. JEFFERIS. Well, you paid the Government too much here, then?

Mr. LONG. We made a bad trade; yes. We thought we could get more for it. We did not need to take that leather away. We favored the Government. Then, when we—

Mr. JEFFERIS (interposing). How much of it did you retain at 85 per cent of the cost?

Mr. LONG. Eighty-five—all of the leather that we retained at 85 per cent of the cost, we turned that all back except a small amount to our subcontractors, and they got their 15 per cent.

Mr. JEFFERIS. Do you mean they got it at 85 per cent of the cost?

Mr. LONG. Yes; but we got nothing out of that.

Mr. JEFFERIS. How about the russet leather; what did you do with that?

Mr. LONG. Russet leather; that was mostly turned back. It was leather that was not used in our business.

Mr. JEFFERIS. Then you turned that back to the tanners?

Mr. LONG. The tanners got that; they got the difference; we got nothing.

Mr. JEFFERIS. You didn't lose anything at all on it?

Mr. LONG. We only lost the handling expenses, and so forth, and some shrinkage.

Mr. JEFFERIS. Now, I was interested about another case, the latigo strings, or whatever they were, that were cut out of that leather?

Mr. LONG. Yes.

Mr. JEFFERIS. I understood that you only cut one piece out of a side of leather?

Mr. LONG. Yes; those thongs—that side of leather would be about 7 feet long, and those thongs were 51 inches; that is a little over 4 feet. Now, we could only cut the good leather, running from the tail along the back, and you could cut a piece about, perhaps, halfway across, this way [indicating], and the rest would be waste.

Mr. JEFFERIS. What do you mean by waste; couldn't be cut into latigo strings?

Mr. LONG. Couldn't be cut into latigo strings.

Mr. JEFFERIS. You don't mean to say that it is not good for anything?

Mr. LONG. No; but you understand, what Mr. Bennett is trying to claim was that we turned more leather over to the Government than we ordered. We bought that leather and paid for it.

Mr. JEFFERIS. You bought a whole side of leather.

Mr. LONG. Yes.

Mr. JEFFERIS. Then you cut it up, you only cut up a portion of the sides?

Mr. LONG. About one-third.

Mr. JEFFERIS. What about the rest?

Mr. LONG. The rest would be latigo leather, but it would not be good for that particular purpose.

Mr. JEFFERIS. Now, you said something else.

Mr. LONG. We were never able to find anything that it was fit for and sold it as scrap leather.

Mr. JEFFERIS. Scrap leather?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. Couldn't you make shoes out of it?

Mr. LONG. Would you wear a pair of shoes made out of latigo leather?

Mr. JEFFERIS. I don't know; it seems like there was a whole side of leather, with the exception of a little piece, to make some strings, the rest was all waste; is that true? Is that the way that the leather was handled?

Mr. LONG. That is the way that leather is handled. It is a peculiar kind of leather. It is a leather that is about half tanned, almost rawhide.

Mr. JEFFERIS. Could it be retained for something?

Mr. LONG. Well, it might be.

Mr. JEFFERIS. You don't mean to say that it couldn't be used?

Mr. LONG. Not at all; what I am trying to convey is that we only furnished the Government and turned over to the Government the amount actually required, the amount that we were actually required to buy for the orders we had, and Mr. Bennett's statement that you could cut that leather all up and cut it in circles shows that he does not know anything about it.

Mr. JEFFERIS. Well, then, according to your statement, two-thirds of the side of leather, that leather that was intended for latigo leather, was wasted?

Mr. LONG. Practically two-thirds can not be used for those strings.

Mr. JEFFERIS. You do not know anything that it could be used for?

Mr. LONG. I would not say that.

Mr. JEFFERIS. Is there anything that it can be used for?

Mr. LONG. I haven't anything in mind now that it can be used for; there is nothing in our business. We can't use it.

Mr. JEFFERIS. So, when you buy latigo leather for filling these contracts you would have to buy about four times what you needed; at least three times what you needed?

Mr. LONG. No; we would buy just what we needed, but we would have almost two-thirds waste.

Mr. JEFFERIS. You bought latigo leather, did you?

Mr. LONG. Yes, sir.

Mr. JEFFERIS. And after filling the contracts, you have two-thirds left?

Mr. LONG. Pretty nearly that; yes, sir.

Mr. JEFFERIS. Well, do you think that the Government was overly precise in having certain kinds of leather?

Mr. LONG. Well, I think it is very necessary that they have leather that is strong and suitable.

Mr. JEFFERIS. What is it used for; what is it supposed to be used for?

Mr. LONG. To carry a large pack. It carries the soldier's food, and it would be exposed to the weather, wet, rain, sunshine, and it would be wet and dry, and it would have to be of material that was very good and made just for that purpose.

Mr. JEFFERIS. If one did break, would there be a catastrophe?

Mr. LONG. Why, the soldiers would lose their lunch. You might advocate giving them unsuitable material. We didn't make the rules. We made them in accordance with the specifications.

Mr. JEFFERIS. Did the Government recite that you could only cut these latigo strings down as you have described?

Mr. LONG. That is just what they did, and if you got one in a little farther down they would throw it out, and you would lose it.

Mr. JEFFERIS. I believe that is all.

Mr. GRAHAM. I have a few questions.

Mr. GARRETT. I wanted to take a whirl at these special facilities. I haven't gotten that straight. Just one thing about that that I want to ask about here in the tables prepared by Mr. Bennett. I direct your attention to the items, special facilities, opposite numbers P8430-5031EQ, and opposite 8051-4926; that is that \$51,906.68 item in regard to special facilities. Now, I want to say, and I am going to state, perhaps, in leading form, but I want to make a statement that is my understanding, and find out if I am correct.

You purchased special facilities, being looms and other equipment that would be used in execution of these two contracts, to the amount of \$51,906.68?

Mr. LONG. Yes.

Mr. GARRETT. When you came to settle these contracts there was written on the claims the cost price to you?

Mr. LONG. Yes.

Mr. GARRETT. \$51,906.68?

Mr. LONG. Yes.

Mr. GARRETT. That was put in as the cost price to you on each of these claims?

Mr. LONG. Yes.

Mr. GARRETT. Then, in the settlement, as a matter of fact, it **was** not doubled; that is to say, you only settled or asked for settlement for the one equipment, although the cost price had been put down on both claims; is that correct?

Mr. LONG. Yes.

Mr. GARRETT. Now, you sold this equipment for \$10,000?

Mr. LONG. Yes.

Mr. GARRETT. And you allowed that amount to the Government in the settlement; is that it?

Mr. LONG. Yes; that was deducted from the cost price.

Mr. GARRETT. That was deducted from the cost price which **was** charged, leaving as a total loss, \$41,906.28?

Mr. LONG. That is it.

Mr. GARRETT. Now, on that \$41,906.28, you took that \$41,906.28 as a total loss?

Mr. LONG. Yes.

Mr. GARRETT. And assigned it to these two contracts in different proportions?

Mr. LONG. Yes.

Mr. GARRETT. What were the proportions, in the amount that had been secured?

Mr. LONG. Why, we charged ourselves——

Mr. GARRETT. That had been completed?

Mr. LONG. We charged ourselves for that proportion that had been completed on the contract, and charged the Government for that portion that hadn't been.

Mr. GARRETT. So that the \$41,906.28, you charged as a total loss on the \$32,268.14; that is the total loss you charged on the 4926 contract, is that correct?

Mr. LONG. Yes.

Mr. GARRETT. And on No. 5021, you charged a total loss of \$9,638.14?

Mr. LONG. Yes, sir.

Mr. GARRETT. Which made a total for you, loss on both, which you charged to the Government, as a proportionate share of that loss?

Mr. LONG. Yes.

Mr. GARRETT. In the larger, that part of the incompleted portion of the contract, both completed portions, is that correct?

Mr. LONG. That is correct.

Mr. GARRETT. And so, on 4926, you charged to the Government, or collected from the Government, whichever way you want to put it, \$11,164.78?

Mr. LONG. Yes.

Mr. GARRETT. And on 5021, \$3,942.17?

Mr. LONG. Yes.

Mr. GARRETT. Now, the total which you received from the Government on that ratio, or proportion, is \$15,106.95?

Mr. LONG. That is it.

Mr. GARRETT. Then, did you lose the difference between \$4,906.28 and \$15,106.95?

Mr. LONG. Yes, sir.

Mr. GARRETT. Now, that covers both of these contracts.

Mr. LONG. Both of these contracts.

Mr. GARRETT. So, I take it, then, the Bennett tables are correct—fifty-one thousand and something should be stricken out in one column, and ten thousand; that is, the allowance to the Government—

Mr. LONG (interposing). \$51,960 should be allowed, and the only thing should be on it should be \$15,000.

Mr. GARRETT. Are you sure you are right?

Mr. LONG. Yes, sir; these tables, in the other items, show the amount that we collected from the Government.

Mr. GARRETT. Yes.

Mr. LONG. Now, the amount that we collected from the Government on these two contracts for those looms, was about \$15,000.

Mr. GARRETT. Well, practically, did it amount to—with reference to the whole \$51,906.28—is it not accurate to say that the Government received—

Mr. LONG (interposing). The Government paid \$15,000.

Mr. GRAHAM. In order to make that table correct, one of those lines ought to be stricken out; that is, \$51,000. We ought to change that \$51,000, in column 10.

Mr. LONG. No; that isn't correct.

Mr. GRAHAM. I think it is.

Mr. LONG. No; that is not correct.

Mr. GARRETT. You have got to put this amount in the column; that is, \$10,000, in that column.

(After informal discussion and reference to tables.)

Mr. GARRETT. I find on examining these two contracts to which reference has just been made above, that in the questionnaire filled out by the contractor there appears to be an explanation which, with the verbal explanation given, straightens this matter out.

Now, there is one further question. I believe you made a claim that the cost of the facilities was distributed among all of the various contracts, completed and not completed?

Mr. LONG. On the leather settlements.

Mr. GARRETT. On the leather settlements?

Mr. LONG. On the leather settlements the proportionate cost was fixed—charged—on the leather contracts, and settled, and there was a charge for facilities on the textile contracts; only on that, there was one or two instances that we did not charge any. May I just have a minute to explain that here. I want to show this is absolutely wrong. There is a claim for special facilities of \$228,673.41; value allowed by the contractor, \$44,080.43.

Mr. GARRETT. You are referring now—just a minute?

Mr. LONG. Why, I want to show that this is absolutely wrong. That would leave \$184,000 charged to the Government, according to his count. Now, as a matter of fact, the amount that the Government was charged for the various facilities was \$81,283.14 on the leather contracts, and \$3,942.27 on the pack carriers, and \$11,164.28 on the haversacks. That is all that we charged. That is about \$96,000. You see, on his table here, it would show that we charged \$184,000—so you see his table shows about twice as much as it is.

Mr. GARRETT. Let me see that table you have been reading from. These tables have gone into the record, haven't they—they have been put into the record?

Mr. GRAHAM. Yes.

Mr. GARRETT. Do you know whether the tables which I hold in my hand, and which have been put in as exhibits, cover the same contracts as these Bennett tables?

Mr. LONG. They cover those and some others—some others on which we have made partial settlement. I understand the Bennett tables cover the ones on which complete settlements have been made.

Mr. GARRETT. I believe these tables—

Mr. GRAHAM (interposing). If you want to put them in, put them in. They cover the same territory. They are not made out the same, and don't cover the same things; but if you want to put them in, let them go in.

Mr. GARRETT. That price would not be filled in in working out that matter, unless it did cover the same contracts, I suppose. We will simply let the other tables go in, and let these be reviewed for any corrections.

Mr. GRAHAM. The only way to do it is to take these 62 settlements covered by this table, and dictate into the record the amount of salvage value as shown on each claim, and that will be done after Mr. Long concludes, so that we can ascertain what the facts are about these salvage values.

Mr. BENNETT. There is one thing, and Mr. Long says something else. The claims are the best evidence and we can ascertain that for ourselves.

Mr. GARRETT. I have just got two other questions with reference to this conversation that occurred between you and this gentleman of the Chemical Warfare Claims Board in New York; was it that board?

Mr. LONG. Yes, sir.

Mr. GARRETT. Col. Bessey and Maj. Dickinson, in which you exhibited a letter from the Assistant Secretary of War, Mr. Crowell, touching upon this question of partial settlement. Had you been unable up to that time to make even a partial settlement of this claim?

Mr. LONG. Yes; unable, and the stuff was deteriorating in value, and possibly wouldn't be worth anything, would become worthless.

Mr. GARRETT. So, it was your purpose in exhibiting that letter—just what was your purpose in exhibiting that letter?

Mr. LONG. Why, we had received circulars from the War Department stating that partial settlements would be made; circulars that were sent out generally to all of the contractors, so that we would be able to get back into commercial business, generally. The Chemical Warfare Service refused to make any partial settlements: they refused to settle anything, unless we were willing to make settlements according to their special lists, and accept their allowances as final, and so I took the matter up with the office in New York, Washington, and explained the situation, and got that letter, and went over to New York and saw Col. Bessey, and finally did get a partial settlement. I also received a partial settlement on one of the ordnance contracts where they had declined to make a partial settlement.

Mr. GARRETT. There was nothing about this Crowell letter with reference, or touching upon the attitude of those gentlemen, or the controverted point?

Mr. LONG. No, sir; it only referred to partial settlements that should be made in cases where the contractor could only agree in part.

Mr. GARRETT. There was nothing in that letter to indicate that you were receiving more favorable consideration than before some other board?

Mr. LONG. No.

Mr. GARRETT. Just covering the proposition of partial settlements?

Mr. LONG. Just covering the policy of the Government in regard to partial settlements.

Mr. GARRETT. With reference to special facilities, I understand that in that case you charged a certain portion of the special facilities on each claim.

Mr. LONG. On the leather claims the facilities were charged.

Mr. GARRETT. Well, let's see what the proportion was that was allowed?

Mr. LONG. Yes; the proportion in completion.

Mr. GARRETT. So that the claims, then, as actually filed, as appear here of record, are claims that have been approved, and the cost of the facilities charged in, without being any particular reference to the amount that was actually charged or used on that particular contract?

Mr. LONG. That is just right.

Mr. GARRETT. So that the claims might be misconstrued by anyone looking at them, might not be understood by anyone that didn't know that?

Mr. LONG. It is like anything else, if you do not understand it it might be misconstrued.

Mr. GARRETT. They would be misleading if they didn't have your explanation?

Mr. LONG. Why, no; anybody that had anything to do with the settlement of claims would understand, and it would not need my explanation.

Mr. GARRETT. Now, in these claims here you make a charge for special facilities; I understand that is part of the special facilities for that contract?

Mr. LONG. We might charge, but it don't necessarily show that that way.

Mr. GARRETT. That is all.

Mr. LONG. All claims need explanation, and you would need to understand them.

Mr. GRAHAM. There are two matters that I forgot to ask about, which you referred to, that I want to just briefly ask about. One of them is this made on November 9, for medical supplies of some kind, and which you said you had been misrepresented about. Your statement was that you had had that verbal order a considerable time before that?

Mr. LONG. Yes.

Mr. GRAHAM. Well, from whom did you receive it?

Mr. LONG. From the contracting officer, Col. Reasoner.

Mr. GRAHAM. Col. who?

Mr. LONG. Col. Reasoner, of the Medical Department. I good many orders from him.

Mr. GRAHAM. And when did you actually receive that on Col. Reasoner?

Mr. LONG. Perhaps four months before.

Mr. GRAHAM. And he told you verbally that he wanted make this stuff, did he?

Mr. LONG. Yes.

Mr. GRAHAM. It is—

Mr. LONG (interposing). We were making supplies for the cal Department and they gave us instructions that were verbal they wanted us to take orders, because they couldn't get the material that is, they couldn't get all of the material required.

Mr. GRAHAM. Just a moment. I think I can find a statement Col. Reasoner in this claim file. Now, let's see; let's get this right. Now, this was dated November 9, as the certificate attached to the claim says.

Mr. LONG. Yes.

Mr. GRAHAM. Now, when do you say it was that you talked to Reasoner about this thing?

Mr. LONG. Four or five months before.

Mr. GRAHAM. That would make it about July.

Mr. LONG. I should say so.

Mr. GRAHAM. Along about the 9th of July; well, in the files is this statement. Are you reasonably certain that that is true?

Mr. LONG. Yes; I am certain.

Mr. GRAHAM. In the files connected with this claim, and I presume you have some knowledge of these files. I do not know whether you have or not. There is a letter dated May 26, 1919, from the officer in charge, to R. H. Long, Framingham, Mass., which has reference to contract 117; I haven't seen this until this minute, but I think has reference to this matter.

FIELD MEDICAL SUPPLY DEPOT,
UNITED STATES ARMY,
Washington, May 26, 1919.

From: Officer in charge.

To: R. H. Long Co., Framingham, Mass.

Subject: Unapproved Contract No. 117.

1. In response to your recent inquiry reference the circumstances connected with the allotment of unapproved contract 117, dated November 9, 1918, would say that in the latter part of October, 1918, a conference was held at the medical supply depot with Mr. R. H. Long, reference to the manufacture of an additional quantity of surgical swathes, anklets, slings, and hammocks. The firm already held contract for a quantity of these supplies which they had secured in competition. There was a demand for an additional quantity at once and R. H. Long, being already in production, it was thought better to give the business to him in order to insure quick action and certain results. Upon the date of this conference, the latter part of October, Mr. R. H. Long was informed that he should proceed with the manufacture of the supplies and the contract would be made out and sent to him at the earliest possible date. For some reason not known now the preparation of the contract was delayed until November 9, 1918, which was the date given the contract, though as stated above the preliminary verbal agreement upon which the contract was based took place the latter part of October, 1918.

M. A. REASONER,
Lieutenant Colonel, Medical Corps, United States Army.

Mr. LONG. That was earlier than that.

Mr. GRAHAM. Now, it don't say so in this letter.

Mr. LONG. There were a good many orders that were made for material, and they would ask us to save it for them.

Mr. GRAHAM. I know, but about this particular one, isn't it correct, then, that the talk took place about the latter part of October instead of July?

Mr. LONG. No, sir; he gave me assurances of an order—I wouldn't say July, but in the summer.

Mr. GRAHAM. Well, four months, about. Well, we will let this letter go in the record for what it is worth.

Mr. LONG. We made no claim—

Mr. GRAHAM (interposing). I am not talking about that. You say you made a contract away along in the summer, when you were talking about that before?

Mr. LONG. No; I didn't say a contract.

Mr. GRAHAM. A verbal contract.

Mr. LONG. We talked; we didn't have a contract.

Mr. GRAHAM. Yes; well, then, a verbal contract, however, on the 9th of November, you had the formal authority to proceed, under which you charge up against the Government \$16,323.44, didn't you, on that contract?

Mr. LONG. We charged them up with the balance of the cost of the material.

Mr. GRAHAM. The Government is paying you \$16,323.44?

Mr. LONG. Yes; we wished to ask them to take the material on hand.

Mr. GRAHAM. Well, I didn't ask you that; that is the amount they paid you?

Mr. LONG. Yes.

Mr. GRAHAM. Now, in your claims, you say that the total costs of these materials, a certain amount of them—you have them—then you say the total was apportioned by something else; then you say that you lost \$16,323.44; what do you mean by total apportioned prices—

Mr. LONG (interposing). Total prices at which we took back the material.

Mr. GRAHAM. Had you done anything during that time?

Mr. LONG. No.

Mr. GRAHAM. You hadn't done any work on this material at all?

Mr. LONG. No.

Mr. GRAHAM. It was duck, and legging duck, and washers, etc., and you took them back at how much—half the cost; half price?

Mr. LONG. Something more than that; we didn't want them. We have got them on hand now.

Mr. GRAHAM. Well, I see here that the item of cost here of the duck, etc., is \$27,750.05, and you give \$13,828.03 for it, which is just half.

Mr. LONG. Yes. The Government tried to sell that duck for some time. We had our claim made for six months, and they couldn't dispose of it, and they forced that on the contractor, and we afterwards tried to sell it, and can't get rid of it.

Mr. GRAHAM. Have you got that duck now?

Mr. LONG. We have got that duck on hand now.

Mr. GRAHAM. Is it worth less than when you got it?

Mr. LONG. We haven't been able to sell it, as yet, at the price we took it in at.

Mr. GRAHAM. What is the market price of it?

Mr. LONG. There isn't any market price, because there isn't any demand for it.

Mr. GRAHAM. For that olive-drab duck, there isn't any market price?

Mr. LONG. That is like a last year's hat, like a straw hat in the wintertime. We tried to get them to take the goods from us, and they didn't want them.

Mr. GRAHAM. Here is another contract, and I am only mentioning it now because it is complained that Mr. Bennett did not state facts; that this is not stated correctly. The contract is for some machinery to cut carriers, shoe machinery for making carriers, the amount of the contract being \$132,537.10. Now, Mr. Long, you say to the committee that the amount of leather that would be required for this, as I understand you to testify, you state that as the claim states it was 33,534 feet of side leather, 99,131 feet of side leather that you purchased, as you say, for the making of those carriers, making a total of 132,935 square feet of leather. Now, as you stated, the pieces you were to cut out were 3.75 inches by 7 inches, and another piece $6\frac{1}{2}$ by 13, and that the total amount of square feet of the leather to cut those pieces would be, as you figure this contract, would be 44,458 square feet, with a waste of 88,477 square feet on the amount of leather you have got. Now, he says he looked at the blue prints, and those are the dimensions of those pieces.

Mr. LONG. What are the sizes?

Mr. GRAHAM. They are 3.75 by 7, one piece, and the other is $6\frac{1}{2}$ by 13.

Mr. LONG. One of each.

Mr. GRAHAM. One of each. Well, I don't know, now, that he has said one of each. I do not know about that. He says that it takes 109 square inches for the two pieces, 109.75, practically 110.

Mr. LONG. Mr. Bennett is wrong; this is more than one. There is more than one kind anyway. There were more than two pieces. I think there were three or four pieces. That is where he is wrong in one case. He has two pieces.

Mr. GRAHAM. You say the blue prints show three pieces?

Mr. LONG. No; the blue prints won't show. If you have got one piece the size of the blue print, the blue print will only show one piece, if you are able to get two or three or four of them; it would only show one piece, if you could get 29. There is about 137 square inches.

Mr. GRAHAM. Well, all right. Now, then, you have—

Mr. LONG (interposing). As a matter of fact, it would take about—how many pieces were there; how many carriers were there in the order?

Mr. GRAHAM. That is what I am trying to find out here, 52,202.

Mr. LONG. Two and one-half square feet to the carrier is about the estimate of those cut out, and there is a very large amount of waste, but I think he is wrong anyway when he says 109.

Mr. GRAHAM. How much do you say?

Mr. LONG. One hundred and thirty-seven.

Mr. GRAHAM. How much did you say it would take to get them?

Mr. LONG. We figured $2\frac{1}{2}$ square feet. That would be 145,000 square feet, and we turned over 130,000 square feet.

Mr. GRAHAM. I didn't hear those figures. How do you figure that it will take that much to cut pieces of leather, an oblong piece of leather the size of that?

Mr. LONG. Those pieces of leather are cut out of bars about that wide, irregular shape. If we cut those out of regular stock leather, it would cost twice as much.

Mr. GRAHAM. Now, I suppose you cut that out of leather that was packed away?

Mr. LONG. Now, we had this leather specially prepared. We paid 22 cents a square foot. If we had bought it, it would have cost about 66.

Mr. GRAHAM. Did you just have the bellies cut?

Mr. LONG. No; that leather was specially prepared for that.

Mr. GRAHAM. Whole hides?

Mr. LONG. No; just bellies. Mr. Bennett does not understand. That is the trouble.

Mr. GRAHAM. You were talking about this saving to the Government that you have made. Why couldn't you take these other bellies that were treated as scrap leather in that other contract and have used those?

Mr. LONG. Why, because that requires a pliable piece of leather. You didn't want stiff leather. This is just the kind of leather that you would have for that purpose. In order to save money we got the American Hide and Leather Co. to tan these bellies and shoulders.

Mr. GRAHAM. Why couldn't the bellies and other pieces of this latigo leather—why could not they have been treated?

Mr. LONG. We didn't have latigo leather at that time. Besides, latigo leather wouldn't be suitable anyway.

Mr. GRAHAM. Why not?

Mr. LONG. It isn't practicable. You would understand that if you understood something about the leather business, you see.

Mr. GRAHAM. You mean cutting it?

Mr. LONG. The business is carried on in a regular commercial way. Leather manufacturers have a whole side or back, and sometimes entire shoulders are cut off and make up leather; that is nearly always tanned in sides. Now, we haven't any use in the manufacture of shoes that would require bellies. They were leaving the bellies out, so when we learned that we just got hold of that leather. We had those bellies tanned for us, and we paid 22 cents a foot for the bellies and 26, as I remember, for the shoulders. Now, to have that leather made in whole sides would have cost 50 or 60 cents a foot, and it would have cost the Government a great deal more money, and then also, the Government was saving material, and we were using the material that was economical.

Mr. GRAHAM. You haven't satisfied my mind on it yet, why it was necessary to tan entire sides for latigo leather when you could use the bellies for this, and you could have cut them off before they were tanned, or tanned them separately.

Mr. LONG. Well, I never knew of latigo leather being tanned that way.

Mr. GRAHAM. Well, they could tan it or retan the latigo leather.

Mr. LONG. Well, latigo leather is not made that way. I never knew of it being any other way. We never heard of it being made any other way.

Mr. GRAHAM. I think that if the bellies were being used for something else you could make this latigo leather, and they could be used for that.

Mr. LONG. They have to have that thong. It is a string 51 inches long.

Mr. GRAHAM. Was this latigo leather?

Mr. LONG. No, sir.

Mr. GRAHAM. I imagine it was not.

Mr. LONG. This was leather that is known as shoe leather, about half as thick as latigo leather.

Mr. GRAHAM. Now, where are the statements you wanted to put into the record. Let's see what those statements are that you had.

(Whereupon the statements were handed to the chairman.)

Mr. GRAHAM. Now, then, you had another statement yesterday that you considered important. Let us have that. Now, Mr. Long, before you leave the stand, is that the other statement you have there?

Mr. LONG. That is the statement I have, sir.

Mr. GRAHAM. Before you leave the stand Mr. Reavis, of the subcommittee No. 4, wanted to ask you some questions. We have tried to get his office and we can't get him. Mr. Reavis, of course, has a committee that has jurisdiction over the cloth contracts, and textiles, and quartermaster supplies, and has seen this telegram which you sent to me.

Mr. GARRETT. Mr. Chairman, may I ask a question on that?

Mr. GRAHAM. Yes.

Mr. GARRETT. I just want to ask one question, Mr. Long, in the matter of the material for the manufacture of these surgical supplies. Was there ever any question raised by any of the Government authorities as to whether you had that material on hand or not?

Mr. LONG. No.

Mr. GARRETT. Do you know whether any of the Government officials knew you had it?

Mr. LONG. Yes; Col. Reasonor knew that I had the material on hand and he knew I was saving it for this contract.

Mr. GRAHAM, I would like to ask if you think now that the R. H. Long Co. received exorbitant profits?

Mr. GRAHAM. That will be a matter for this committee to determine. It will be determined and reported on later. I could only speak for myself, and I don't care to express my opinion now.

(Whereupon the committee went into executive session.)

AFTER EXECUTIVE SESSION.

Mr. GRAHAM. Now, let's dispose of this matter.

Mr. LONG, the committee having examined these various exhibits that are offered here, and the committee understands that Mr. Long is ready to swear to the truth of these statements, and the committee

will consider them, and take some action as to whether we are to admit them into the record or not, when we have more time to give to consideration of them. The present view of some of the committee members is that probably that matter might be determined or covered by testimony already given. So far as the income-tax return is concerned, the committee is going to do this with you, Mr. Long; they are going to put that up to you as to whether you desire to furnish those statements or whether you don't. If you conclude that you desire to furnish the statements from your income-tax returns within the next few days so that we can get them, you can do so; if not, you can do as you see fit.

Mr. LONG. They are for use of the committee or for publication?

Mr. GRAHAM. Sir?

Mr. LONG. For use of the committee or for public use?

Mr. GRAHAM. Well, of course, the committee is interested in its own investigation.

Mr. GARRETT. You want to know whether if they are sent here they will simply be used as information for the committee or whether they will be turned over to the record?

Mr. GRAHAM. Suppose we get in this fix: Suppose we want to report something to the House, our conclusions, and we would want to use this information before the House, and it is pertinent and throws some light on the matter, in our minds. It would look to me like it is information that we ought to be able to use in coming to a conclusion, otherwise it wouldn't do us any good, and I would say, so far as I am concerned, that if you send any information in, I think we ought to put it in our record.

Mr. LONG. Well, I would be opposed to anything like that.

Mr. GRAHAM. A copy of those two letters. I would like to take them and make a copy of them and return them to you.

Mr. GARRETT. And that other request of his that is to be considered, and the matter involved in the statement here; that is, the request as to the obtaining of the information upon which a comparison can be made between his contracts and the others, is to be considered.

(Whereupon, at 6.10 o' clock p. m., the committee adjourned.)

SUBCOMMITTEE NO. 5 (ORDNANCE), OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Thursday, October 30, 1919.

Pursuant to adjournment the committee met at 2.30 o'clock p. m.,
Hon. William J. Graham (chairman) presiding.
Also present Mr. Garrett and Mr. Jefferis.

TESTIMONY OF LIEUT. COL. MATHEW A. REASONER.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Please give the stenographer your name.

Lieut. Col. REASONER. Mathew A. Reasoner.

Mr. GRAHAM. And you are a lieutenant colonel, are you not?

Lieut. Col. REASONER. Yes, sir.

Mr. GRAHAM. In the Medical Corps?

Lieut. Col. REASONER. Yes, sir.

Mr. GRAHAM. Colonel, it has been made some little issue in this matter about a certain order that you gave Mr. R. H. Long for some medical supplies—surgical supplies—you doubtless remember it.

Lieut. Col. REASONER. There were several things, but I take it this particular one you refer to were those hammocks and surgical swaths, and such things.

Mr. GRAHAM. There is your letter that you wrote. That is in the record, and relates to that particular contract. In that letter you stated you had an oral agreement with Mr. Long in the latter part of October relative to making that stuff and that afterwards, on November 9, the formal order was given for it.

Lieut. Col. REASONER. Yes, sir.

Mr. GRAHAM. What is your remembrance about that? Is that the first time you ever talked with Long about that?

Lieut. Col. REASONER. No, sir; no, sir. Might I give you a little history of it?

Mr. GRAHAM. Yes. Tell us all the facts about that particular matter.

Lieut. Col. REASONER. Am I to confine myself exactly to this matter?

Mr. GRAHAM. Yes, you better; because that is the only thing we went into.

Lieut. Col. REASONER. I would simply say that our dealings with Mr. Long saved some considerable money to the Government. I am able to bring in any evidence that you may wish to that effect.

Mr. GRAHAM. How do you mean?

Lieut. Col. REASONER. We had purchased belts for enlisted men; we had purchased cases for bedding at a very considerable saving through Mr. Long. At this time the ordnance and the quartermaster, especially Quartermaster Department, could not supply that duck. Mr. Long was about the only contractor with whom I had been in touch, and I had been brought in touch with practically all the duck manufacturers who had a supply of duck. I do not know how he got it or how he held it out, but he had it. I discussed with him the proposition of enlarging the order and making it a hundred per cent increase, but he said he did not like to do that, because he did not know how prices would be in the future and did not know whether the quartermaster would take his duck, or what would happen.

At the time mentioned here the Surgeon General sent down word that we had to have a large quantity of these things and get them as soon as possible. Mr. Long being the only man who had duck, I went to him. The only other recourse would have been to ask for the duck from either the Ordnance or the Quartermaster Department and I am sure you gentlemen know how long and how roundabout a method that would have been. I wanted the duck and wanted it as quickly as possible, and that was the course I followed.

Mr. GRAHAM. Did you give the order to him in the latter part of October or earlier?

Lieut. Col. REASONER. May I see the letter once more?

Mr. GRAHAM. Yes. That is the thing I am asking you about particularly (handing the witness a letter).

Lieut. Col. REASONER. In the latter part of October.

Mr. GRAHAM. That is the first time you gave him that order?

Lieut. Col. REASONER. That particular order, although in an earlier case the previous order was given for a similar supply of goods. That order was already in existence, or had been completed.

Mr. GRAHAM. Yes, but this order was given when you stated?

Lieut. Col. REASONER. The latter part of October I think we had the conference on that particular date.

Mr. GRAHAM. How many orders had you given for stuff before that?

Lieut. Col. REASONER. For material of all classes?

Mr. GRAHAM. Yes. Of course, I mean just approximately, Colonel.

Lieut. Col. REASONER. I think we must have had about six contracts with Mr. Long, I should say, Mr. Graham.

Mr. GRAHAM. Did you have any personal dealings with him from time to time?

Lieut. Col. REASONER. Yes, sir; I saw Mr. Long.

Mr. GRAHAM. What seemed to be his attitude toward the Government in regard to these various contracts?

Lieut. Col. REASONER. I was very well pleased with Mr. Long's position. I have quite a little admiration for him as a gentleman and as a manufacturer.

Mr. GRAHAM. The reason we are asking you about this particular thing is that Mr. Long testified this identical contract, as I understand it, was given about four months before you say it was given.

Lieut. Col. REASONER. Pardon me, I think he must have meant the other contract.

Mr. GRAHAM. No, I called his attention to your letter and showed it to him.

Lieut. Col. REASONER. I think he must have been confused and thought of this other contract.

Mr. GRAHAM. What are they?

Lieut. Col. REASONER. Those are contracts for similar things that we gave at a prior time.

Mr. GRAHAM. Were these original contracts?

Lieut. Col. REASONER. Yes, sir. I think that must have been what Mr. Long was thinking about.

Mr. GRAHAM. One in May and one in June?

Lieut. Col. REASONER. Yes, sir; for the same supplies. It was a continuation, and at that time I discussed with him the possibility of securing more than the quantity asked for, knowing we would need it, but, as I said, he would not accept it then because he did not know whether that price would stand.

Mr. GRAHAM. Where did he get this duck that he had on hand?

Lieut. Col. REASONER. I am under the impression that he got it from Berrelle.

Mr. GRAHAM. Did he have it when the war broke out?

Lieut. Col. REASONER. I think he had the contract at that time.

Mr. GRAHAM. Were other manufacturers able to get duck at that time?

Lieut. Col. REASONER. To some extent; but he had more money, and he foresaw the conditions, and he could invest more than a great many other manufacturers could.

Mr. GRAHAM. I have been told, I don't know how true it is, and I want to ask you whether you know anything about it—that prior to our entrance into the war he had accumulated a large stock of these materials with which war equipment could be made so that when the war broke out he was already in possession of an immense reserve stock with which he could make this stuff? Do you know whether that is true?

Lieut. Col. REASONER. I can not say. I never was in his factory, but I know that he had duck to take care of our needs.

Mr. GRAHAM. Were other manufacturers able to get it at that time?

Lieut. Col. REASONER. During the last part of the war not, because the quartermaster took everything they had and took all the output of the mills.

Mr. GRAHAM. He always had plenty of it?

Lieut. Col. REASONER. So far as I know. He did for our needs. I can not say whether he did for other people or not.

Mr. GRAHAM. That is all. Mr. Jefferis, do you wish to ask the witness any questions?

Mr. JEFFERIS. I do not care to.

Mr. GRAHAM. Do you wish to ask any questions, Mr. Garrett?

Mr. GARRETT. Yes. I believe that you stated that at the time of the making of these contracts that were executed—

Lieut. Col. REASONER. The original contracts?

Mr. GARRETT. May and June?

Lieut. Col. REASONER. Yes, sir.

Mr. GARRETT. You discussed with him and sought to have him enter into a contract?

Lieut. Col. REASONER. No; I did not discuss.

Mr. GARRETT. You discussed with him the proposition of putting in a renewal clause?

Lieut. Col. REASONER. Yes; a 100 per cent increase clause.

Mr. GARRETT. And he was unwilling to do that because he thought—

Lieut. Col. REASONER (interposing). The labor conditions were rather bad at that time. Labor was getting so scarce, and he was not sure that he could handle it, and he had some big ordnance contracts, and he could not look far enough ahead to be certain.

Mr. GARRETT. Well, did you discuss it with him formally or informally at any time between then and the time of giving him this order?

Lieut. Col. REASONER. I can not tell you about that, but I had stated that we would need more.

Mr. GARRETT. You had stated to—

Lieut. Col. REASONER (interposing). Mr. Long that if his services were satisfactory we would probably need more. That was the statement that was made in May or June or along there some time.

Mr. GARRETT. So that he understood that there were strong probabilities that more would be desired?

Lieut. Col. REASONER. And he ran a medical department section in his factory. Do you wish me to add something for Mr. Long's benefit?

Mr. GRAHAM. You better answer the questions, sir.

Lieut. Col. REASONER. Have you completed your questions?

Mr. GARRETT. Yes; that is all I wanted to ask.

Mr. JEFFERIS. You said you offered to take an increased production?

Lieut. Col. REASONER. Yes, sir.

Mr. JEFFERIS. And he would not enter into such a contract?

Lieut. Col. REASONER. I did not put it up to him in that way. I just talked about it and asked him if he would like to do it.

Mr. JEFFERIS. What did he say?

Lieut. Col. REASONER. He said he preferred not to do it at that time and would rather have us put that matter off until we were ready to make the purchase.

Mr. JEFFERIS. And then you took it up the latter part of October?

Lieut. Col. REASONER. Yes. I said, "Well, we will hold it until then."

Mr. JEFFERIS. Then the contract was entered into in November?

Lieut. Col. REASONER. Yes, sir. The verbal agreement took place before that time. The contract was dated the day it was written.

Mr. JEFFERIS. About what time in October did you talk with him?

Lieut. Col. REASONER. I can not say about that, because I was very busy then.

Mr. GARRETT. It appears from our records that this contract was actually signed about November 9—just a few days before the signing of the armistice.

Lieut. Col. REASONER. Yes, sir.

Mr. GARRETT. And of course no work was done on it, the order being canceled immediately after the armistice was signed. Mr. Long, in settling with the Government, charged back so much on this duck, I believe, the sum of \$16,000.

Mr. GRAHAM. Yes; a little over that.

Mr. GARRETT. And the question arose here as to whether he was justified from anything that had passed in making any such charge against the Government.

Lieut. Col. REASONER. You say it is \$16,000?

Mr. GARRETT. My recollection is that it was that amount.

Mr. GRAHAM. Here is the contract, right here.

Lieut. Col. REASONER. I think I have a copy of that at the office.

Mr. GRAHAM. There is a little over \$16,000 in controversy.

Lieut. Col. REASONER. That is another matter.

Mr. JEFFERIS. Do you know about what the price duck was at the time the United States entered the war?

Lieut. Col. REASONER. I know about the price of some of the duck. For instance, that legging duck he used in the contract—

Mr. JEFFERIS. If it was legging duck.

Lieut. Col. REASONER. It was a No. 8 duck and prior to our entrance into the war the average worth of that duck at 34 or 36 inch width was somewhere around 55 to 60 cents.

Mr. JEFFERIS. What?

Lieut. Col. REASONER. Fifty-five to sixty cents prior to our entrance into the war. Later that went to \$1.18. That was a single-filling duck. We used a fiber dye and it probably would be worth \$1.25 a yard.

Mr. JEFFERIS. Do you know the price at the close of the war?

Lieut. Col. REASONER. Yes, sir; at the time I entered into the contract—

Mr. JEFFERIS. How much was it then?

Lieut. Col. REASONER. About \$1.25, I should say.

Mr. JEFFERIS. And at the time of our entrance into the war you say it was worth 55 to 60 cents?

Lieut. Col. REASONER. Prior to our entrance into the war—six months prior to our entrance into the war. When we entered the war, I suppose, it would have been worth 65 or 70 cents.

Mr. JEFFERIS. That is the approximate price at the time we entered the war, as I understand it.

Lieut. Col. REASONER. I think so.

Mr. JEFFERIS. What are the facts, if you know, Colonel, as to the time when Mr. Long obtained this duck, which was used or would have been used in this contract? Was it before the United States entered the war?

Lieut. Col. REASONER. Some of this particular duck he bought on contract with some firm by the name of Berrelle or someone else, and they were producing it for him from time to time. He was taking part of their output.

Mr. JEFFERIS. Was that a contract that Mr. Long or his company had entered into with Berrelle before the United States entered the war?

Lieut. Col. REASONER. I could not say about that. I am sorry to say.

Mr. JEFFERIS. Did you understand that Mr. Long, or Long & Co., had large amounts of this duck on hand at all times?

Lieut. Col. REASONER. I understood that they had some quantities. I can not say how much—enough for our needs, anyway.

Mr. JEFFERIS. What is the fact as to the quantities he had on hand, say, in May or June, 1918?

Lieut. Col. REASONER. Mr. Long told me he had, as I remember it now, enough duck on hand to take care of our May and June contracts and, perhaps, a little more.

Mr. JEFFERIS. But he would not enter into any 100 per cent increase at that time?

Lieut. Col. REASONER. I did not force the matter.

Mr. JEFFERIS. I say he said he did not care to do it?

Lieut. Col. REASONER. No, sir. I did not force it. I might have secured his consent, but I did not attempt to. Of course, this is only one of a great many contracts that were made, and I certainly did not concern myself much with the contractor's own affairs, and so I can not give you as much information as you desire.

Mr. JEFFERIS. That is all.

TESTIMONY OF MR. W. D. HIMES.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Captain, what is your full name?

Mr. HIMES. William D. Himes.

Mr. GRAHAM. Were you formerly in the service of the United States?

Mr. HIMES. I was.

Mr. GRAHAM. During what period?

Mr. HIMES. From August, 1917, until January, 1919.

Mr. GRAHAM. Until January, 1919?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. In what arm of the service were you?

Mr. HIMES. Ordnance.

Mr. GRAHAM. All the time?

Mr. HIMES. Yes, sir; all the time.

Mr. GRAHAM. Where were you located?

Mr. HIMES. I was first assigned at the Rock Island Arsenal for a course of instruction, just for a few weeks. Then my first assignment under my commission was in Boston.

Mr. GRAHAM. And what place?

Mr. HIMES. I was sent to Boston to establish an inspection office for the equipment division of the Ordnance Department.

Mr. GRAHAM. And, after your service there, where did you go?

Mr. HIMES. I went to France.

Mr. GRAHAM. During your experience at Boston, did you have anything to do with the contracts of Richard H. Long?

Mr. HIMES. I was in charge of the inspection of all of Mr. Long's ordnance contracts.

Mr. GRAHAM. You were at that time a captain?

Mr. HIMES. I went up as a first lieutenant.

Mr. GRAHAM. After going there were you promoted?

Mr. HIMES. I was promoted in January, 1918.

Mr. GRAHAM. And did you have charge of the office?

Mr. HIMES. There was no office there; there was nothing there when I went. I established an office and organized an inspection force in New England.

Mr. GRAHAM. And how extensive a force did that get to be before it ended?

Mr. HIMES. When I left that station in July, 1918, there were some six or seven hundred inspectors scattered all through that territory.

Mr. GRAHAM. Under the jurisdiction of that office?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. Were you in charge of the office up to the time you left there?

Mr. HIMES. I was in charge of the office until April, 1918; and then a reorganization in the Ordnance Department caused a change in the plans and they established a district ordnance office which covered all divisions of the Ordnance Department, including the equipment division, and I was still in charge of the equipment division under Maj. Douglas, the representative of the Ordnance Department.

Mr. GRAHAM. When did you leave there?

Mr. HIMES. In July, 1918.

Mr. GRAHAM. Captain, do you live in Massachusetts?

Mr. HIMES. No, I live in Pennsylvania.

Mr. GRAHAM. What place?

Mr. HIMES. Oxford.

Mr. GRAHAM. Did you come here on a subpoena.

Mr. HIMES. I can not tell you. I was requested to come.

Mr. GRAHAM. By the Sergeant at Arms?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. When did you have your first experience with R. H. Long, or the R. H. Long Co., in the matter of contracts in your Boston office?

Mr. HIMES. As soon as I got to Boston I visited in turn the contractors in New England. I do not recall whether Mr. Long was the first one or not.

Mr. GRAHAM. Were you at his factory at that time?

Mr. HIMES. Many times.

Mr. GRAHAM. How far is Framingham from Boston?

Mr. HIMES. About 20 miles, roughly speaking.

Mr. GRAHAM. During the time you were there as Chief of the Inspection Service, how many times do you suppose you were out to his factory?

Mr. HIMES. I imagine I averaged two or three visits a week to his factory. He was the largest individual contractor in New England.

Mr. GRAHAM. When did you first get to the Boston office?

Mr. HIMES. About the first of September, 1917.

Mr. GRAHAM. And from that on you were there very often?

Mr. HIMES. It was very rarely that I missed a week that I did not get to his factory; and some weeks I was there two or three times.

Mr. GRAHAM. Did you have men report to you who were residents in his factory?

Mr. HIMES. I had a resident inspector in his factory.

Mr. GRAHAM. What was his name?

Mr. HIMES. His name was R. H. Huggins.

Mr. GRAHAM. Was he an officer?

Mr. HIMES. He was a civilian employee from the Rock Island Arsenal. He was sent there to instruct operatives in the manufacture of things.

Mr. GRAHAM. Was he there when you got there?

Mr. HIMES. He was there when I arrived.

Mr. GRAHAM. When you first went there did you find anything unusual or anything in the relations between Mr. Long and this inspector that excited your interest?

Mr. HIMES. I recall one thing that made quite an impression on me. I found Mr. Long had loaned this inspector money.

Mr. GRAHAM. How did you happen to find that out?

Mr. HIMES. I do not recall how I found it out, but I know that was about my first experience there and that is why it made an impression.

Mr. GRAHAM. Was this man Huggins located at the factory?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. Was he the only representative of the Government there?

Mr. HIMES. He was the chief representative of the Government there. He had some physical inspectors under him.

Mr. GRAHAM. What did you do about this? Did you see Mr. Long?

Mr. HIMES. My recollection is fairly clear on it, too, that I saw Huggins and confirmed the information that I had got and told him, of course, that could never happen again. Then I saw Mr. Long.

Mr. GRAHAM. What did he say about it?

Mr. HIMES. I do not recall the details of the conversation, but I told him that things like that might raise very embarrassing situations and that I hoped he would never do it again. He seemed to pass it off as inconsequential and of no importance. As I recall it, the amount of money was not great. I do not remember how much it was.

Mr. GRAHAM. He did not seem to attach any importance to it?

Mr. HIMES. No.

Mr. GRAHAM. Do you know whether that ever happened again to your knowledge?

Mr. HIMES. I do not know that it happened again. I suspected that it happened, but I never knew.

Mr. GRAHAM. Now, tell us, Captain, did you ever at any time while you were there have any cause to question the character of any of the goods that was being produced at that factory?

Mr. HIMES. As a Government contractor, Mr. Long had a wonderful reputation for producing quantities which, at the beginning of my service up there, was a very important part of the Government contractor's duty; but he produced quantities decidedly at the sacrifice of quality, and I, as an inspector, was primarily interested in quality.

Mr. GRAHAM. Tell us now what you observed and what you did on the matter of quality of these goods. What did you observe was wrong with them, if anything?

Mr. HIMES. There were continuous occurrences that stand out in my memory. First of all was the question of cartridge belts.

Mr. GRAHAM. Tell us about those.

Mr. HIMES. My recollection is that cartridge belts of a very inferior quality started to come through shortly after I got there, and that I rejected those that I thought were impossible.

Mr. GRAHAM. What were these belts made of?

Mr. HIMES. Duck.

Mr. GRAHAM. Webbing?

Mr. HIMES. Duck and webbing. Principally duck.

Mr. GRAHAM. What kind of belts were they that you found were defective as you thought?

Mr. HIMES. You mean the character of the defects?

Mr. GRAHAM. No; what was it; were they duck or webbing belts?

Mr. HIMES. It was a combination of duck and webbing. The duck formed the body of the belt and the adjusting straps were of webbing.

Mr. GRAHAM. What was the matter with the belts?

Mr. HIMES. There were two principal causes. One was in the size of the pockets for the cartridge clips, and the other was that there were holes in the belt and they were darned, repaired by hand. The pockets in the belt were made to accommodate two clips of cartridges, and if those pockets were small the clips of cartridges could not be accommodated. If they were too small, they could only be accommodated with difficulty in extracting.

Mr. GRAHAM. You say you condemned some of them.

Mr. HIMES. I rejected all belts that I considered unserviceable.

Mr. GRAHAM. About how many do you suppose there were of those that you rejected?

Mr. HIMES. My impression is that those belts accumulated greatly until there were some ten or fifteen thousand. That was over a period of a number of months perhaps.

Mr. GRAHAM. Did you tell him about it?

Mr. HIMES. Oh, yes, indeed.

Mr. GRAHAM. What did he say?

Mr. HIMES. There was no question about the quality of the belts, and Mr. Long's relations with me were always very pleasant, and he agreed with most everything that was brought to him.

Mr. GRAHAM. Did he agree that the quality of the belts was not good?

Mr. HIMES. He thought they should be taken, but he did not raise any particular—

Mr. GRAHAM. Why did he think they should be taken?

Mr. HIMES. Because the Government needed belts, and Mr. Long seemed always to operate on the principle, "Take anything you can get, just so you are getting something," and that was the policy of the department in the beginning of the war because of the urgent need of equipment. As a result of that policy, I took a great many belts that I felt sure did not comply with the classifications in the contracts, but that would be serviceable.

Mr. GRAHAM. Did he agree that they did not comply with the classifications?

Mr. HIMES. I remember another incident, not on these particular 14,000 belts—I can not answer your question fully on that because I do not recall. I recall that in 1918, probably June, I discovered, my inspector discovered rather, that one piece of the belt was being cut shorter than the blue print specified. That piece was then gathered into pockets so that after it was sewed on the belts, you could not tell what the length was. You could only tell it before it was permanently sewed into the belts. He showed me all these pieces cut a shorter length than specifications called for and I recall taking that to Mr. Long with a blue print and pointing it out to him.

Mr. GRAHAM. How much shorter than the specification was it?

Mr. HIMES. I do not recall the measurement.

Mr. GRAHAM. Do you know how big an order he had for them?

Mr. HIMES. My recollection is that Mr. Long had a large order for belts from the Ordnance Department.

Mr. GRAHAM. Do you know whether this would have affected any saving—his practice of cutting this piece shorter?

Mr. HIMES. He saved the amount of duck that he cut short. an absolute and direct saving.

Mr. GRAHAM. What did he say when you went to him?

Mr. HIMES. He said he knew that he had been doing that and that he was doing it because there was no way to manufacture the belts in accordance with the specifications; that the specifications were wrong. I told him that that was not the fact because other contractors in that district were manufacturing them directly in accordance with the specifications; and he told me that a representative of the division, some representative of the division, he was indefinite, told him that the belts could be manufactured in that way, cutting that piece short. I asked him what authority he had in evidence of that and he said he had a letter, but he could not find the letter. I told him that I would have to insist on those belts being made directly in accordance to the specifications. He asked for some time but said that he was not willing to do it. My recollection is that he refused flatly but finally said he would have to change his machines before he could do it. I told him I realized that and would give a length of time in which to change the machine, seven or nine days—I do not recall the exact time, but more than was necessary—and that after that I would reject all belts made that were not in accordance to specifications.

Mr. GRAHAM. Did he change his machines?

Mr. HIMES. No; he did not, as nearly as I could see, Mr. Long made no effort to comply with my request and comply with the specifications. I recall that he went to Washington during the time that I gave him in which to make the change. After the date I had set we started to reject all belts that came through.

Mr. GRAHAM. About how many did you reject?

Mr. HIMES. It was in the neighborhood of 75,000, as I recall it, because it was something over \$200,000, and I believe the belts were almost \$3 a piece.

Mr. GRAHAM. Did you ever reject anything else?

Mr. HIMES. That was the biggest item we ever rejected. Yes; we rejected various equipment from time to time, but no one instance stands out in my mind that I remember.

Mr. GRAHAM. Captain, to be brief about the matter and to get back to the point, do you know whether you ever accepted stuff there or whether Mr. Long manufactured stuff that was defective, that was not up to certain specifications, that was accepted by the Government and taken, not counting those belts, but stuff that went through?

Mr. HIMES. I felt that stuff I was accepting from time to time there was not strictly in accordance with specifications.

Mr. GRAHAM. Did he know it?

Mr. HIMES. I always discussed these things very frankly with Mr. Long. Yes; he knew it.

Mr. GRAHAM. Why did you take them?

Mr. HIMES. On account of the urgent necessity for furnishing the troops with this equipment.

Mr. GRAHAM. Do you know whether it was possible for him to have made these things in accordance with the specifications?

Mr. HIMES. I know that it was possible for them to be made according to specifications, because other contractors who manufactured the same equipment did it.

Mr. GRAHAM. But this man was manufacturing large quantities and you took them, although they did not comply to the specifications?

Mr. HIMES. Our standard was serviceability rather than strict specifications, and I thought it was a good policy when I first went up there, but I soon learned that Mr. Long was taking advantage of that policy and manufactured full quantity regardless of quality, knowing the department was forced to have them. That was my personal opinion of Mr. Long's attitude.

Mr. GRAHAM. Did you observe in the stuff that was going through from time to time poor material?

Mr. HIMES. Yes; I saw poor material in the equipment. It was brought to my attention by representatives from my inspectors, that Mr. Long was buying Government-rejected materials from textile factories.

Mr. GRAHAM. To use on Government work?

Mr. HIMES. Presumably. I do not think he was working on any other contracts but Government contracts. I assume that Lieut. Griscom, who is here, knows about that. I do not know that Lieut. Griscom knows more about that, because I recall very distinctly now about it.

Mr. GRAHAM. Tell us about it.

Mr. HIMES. I saw in Mr. Long's storehouse bales of remnants of webbing and textiles of that kind that appeared to be almost sweepings of the floors, and my recollection is that I obtained the information from another inspector that they were sweepings from the floor of the textile factory located near Boston and had been rejected by my inspector at that textile factory as not suitable for Government work or up to Government specifications, and they were then boxed up by the manufacturer and sold as a commercial lot to Mr. Long.

Mr. GRAHAM. And you saw them in the warehouse?

Mr. HIMES. I could not identify those particular pieces with what had been reported to me, but presumably they were, because that came from the manufacturer at whose plant the inspector reported to me. They were in bales marked with that manufacturer's name.

Mr. GRAHAM. They were?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. When was that?

Mr. HIMES. That was in the spring of 1918. Do not understand that this was one exception, because this was rather the custom, I felt.

Mr. GRAHAM. You saw them often?

Mr. HIMES. For instance, I once got a telephone message from a Capt. Redmond, who occupied a position similar to mine in the Connecticut district. He said that that day a case of defective, rejected webbing at the plant of the Russell Manufacturing Co., in Middletown, Conn., had been shipped by the Russell Manufacturing Co. to Mr. Long on a commercial contract. I recall getting that telephone message and that I immediately called up Mr. Long and told him of

the information I had gotten and that I believed that he would not want to use anything that the Government felt was unsuitable in the equipment, and I told him so he could stop it when it got to his factory. He thanked me and said that it never showed up when I spoke to him afterwards.

Mr. GRAHAM. Told you it had never arrived?

Mr. HIMES. He told me it never had arrived and that I must have been advised wrongly.

Mr. GRAHAM. Do you know whether these sweepings and odds and ends of webbing were used and disposed of there in the factory?

Mr. HIMES. I had no direct way to tell, sir. I only know it disappeared from time to time and there was no way for me to identify it after it was cut up and put into equipment.

Mr. GRAHAM. Did you have any inspectors there whose duty it was to see what went out, so that you could tell whether that stuff left the factory after you saw it?

Mr. HIMES. Every piece of equipment that Mr. Long made was inspected, but we could not tell whether webbing was defective unless we had a test for strength or weave, which was impossible after it was a part of the equipment without wasting a lot of time and destroying a great deal of the equipment. I saw equipment that I felt certain was made up partly of defective material, and I brought those instances to Mr. Long's attention many times.

Mr. GRAHAM. As I understand it he had two Government contracts, one on which the Government furnished the materials and the other in which he furnished the materials.

Mr. HIMES. That is right.

Mr. GRAHAM. How could you tell in the work which equipment was Government material and which was his?

Mr. HIMES. There was no way to tell. It was not kept separate. Mr. Long used material indiscriminately.

Mr. GRAHAM. He used Government material on jobs that he had to buy the material for?

Mr. HIMES. There was no way to definitely prove that, but I do not think that Mr. Long ever denied that. I know in discussing the things with him whenever we found a defect in the material he would always say: "Well, that is a contract on which the Government is furnishing the material."

Mr. GRAHAM. Then, if the Government furnished the material that ended it.

Mr. HIMES. And I could not identify Government material after it had been cut up and put into equipment.

Mr. GRAHAM. But he would invariably say when you objected to material that it was a contract on which the Government was furnishing the material?

Mr. HIMES. I could not say that he said that without exception, but I know it was rather a stock answer and we got to expect it.

Mr. GRAHAM. Is it your judgment, Capt. Himes, that the scrap material you saw in his workroom went into equipment that the Government bought?

Mr. HIMES. Yes, I confidently believe that, Mr. Graham, but there is no way to prove these things. I believe that Mr. Long used some ordnance stuff on contracts for other departments of the Government.

Mr. GRAHAM. What makes you think that? How do you arrive at your conclusion? Did he keep his duck all in the place?

Mr. HIMES. There was no system in the factory. Duck came in and it was cut up. I know that he did not keep the duck for various ordnance contracts isolated. We saw that mix up all the time and could never get it straightened out. As I recall he had some few medical contracts and I remember that we were of the opinion, from seeing conditions at the factory, that he was using ordnance duck on the medical contract. I remember it being discussed.

Mr. GRAHAM. What did he say about that?

Mr. HIMES. Mr. Long never said anything. All I know about that—I do not know that it was brought to his attention. It was so indefinite in our minds that we had nothing specific with which to go to him.

Mr. GRAHAM. I assume that the various articles that you condemned from time to time lay in the factory there?

Mr. HIMES. That 10,000 belts, or 15,000, whichever quantity it was, accumulated over a period of many months. They were there when I left Boston. I recall that there were representatives from the department in Washington out there several times and were rather insistent that I accept those belts.

Mr. GRAHAM. Do you remember who any of them were?

Mr. HIMES. I remember one man, and only one. He is a civilian named Heuer.

Mr. GRAHAM. And he insisted that you accept it?

Mr. HIMES. I remember one instance in particular that while I was in Boston he went to the factory and instructed my inspector there to accept those belts. I was communicated with by telephone and went out immediately and countermanded the order. It is my recollection that that happened more than once.

Mr. GRAHAM. Did you talk with this man, or any of these men?

Mr. HIMES. Yes.

Mr. GRAHAM. What did you tell them?

Mr. HIMES. I told them that the defects were so bad, that the belts were not up to specifications and I would not accept them? They said that they were so badly needed that he had been sent up from Washington to see if arrangements could not be made to have them accepted; and he thought I ought to accept them. I told him I would not accept those belts, as they were not up to specifications, and that if they were to be accepted they would have to be accepted on the responsibility of somebody else. There was nothing done.

Mr. GRAHAM. Did Mr. Long ever have any fuss with you about taking these matters up with Washington over your head?

Mr. HIMES. Oh, yes, indeed.

Mr. GRAHAM. Many times?

Mr. HIMES. It was very well understood between Mr. Long and myself that he was at perfect liberty to come to Washington and take these up, and frequently I would get my first information of what was done at Washington through Mr. Long some days or a week before my orders came through from Washington. That happened many times.

Mr. GRAHAM. Did he come and tell you what to do?

Mr. HIMES. He would tell me what Washington was going to do, and tell me that I might as well accept it and save time by starting, which I did not do. As a rule Mr. Long was right.

Mr. GRAHAM. Who did these orders come from?

Mr. HIMES. My orders came from the head of the Equipment Division in Washington.

Mr. GRAHAM. Who was it; do you remember?

Mr. HIMES. Capt. Day, but Capt. Day was not the originator of the orders.

Mr. GRAHAM. Do you know who was?

Mr. HIMES. I do not know the individual, but they came from the Procurement Division.

Mr. GRAHAM. Did you ever reject any stuff and have him go to Washington and you receive orders to accept it?

Mr. HIMES. On the 75,000 belts that I mentioned a short time ago.

Mr. GRAHAM. Tell us what happened about those.

Mr. HIMES. They were rejected and Mr. Long went to Washington right after I started to reject them; and my recollection is that on his return he told me that he had seen the procurement officer and that arrangements had been made to take those belts; and shortly afterwards a revised contract came through with specifications eliminated.

Mr. GRAHAM. So that the belts would be accepted under the new contract?

Mr. HIMES. They not only omitted specifications, but my recollection is there was a clause in the contract saying that belts which were not in accordance with specifications were to be taken without any limit, at a reduction of 3 cents per belt, which amounted, roughly, to 1 per cent.

Mr. GRAHAM. Who sent you that contract?

Mr. HIMES. That came from the Inspection Division. It was the Inspection Division's copy of a contract prepared by the Procurement Division.

Mr. GRAHAM. It came from Washington?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. Do you know by whom it was signed?

Mr. HIMES. No, sir; I do not recall—I beg pardon, I do know who it was signed by. I think it was signed by Lieut. Shinkle. Bradford Shinkle is my recollection of the man who signed that. He is supposed to be a procurement officer.

Mr. GRAHAM. Did Mr. Long tell you that order was coming?

Mr. HIMES. I do not recall that he said an order, a revised order, was coming; but my recollection is that he told me arrangements had been made by which those belts would be taken.

Mr. GRAHAM. Then what happened after you got the new contract? What did you do?

Mr. HIMES. I took it to Maj. Douglas, who was then in Boston, as my commanding officer, laid it before him, and told him the situation; and told him that, in my opinion, it was not a square deal with the Government, and that it should not be complied with. Our position was one of acting under orders, however, and we could not refuse to act under a contract. However, we delayed it in the hopes of having a revision come through, and I remember writing a report which was

sent to Col. Ruggles, the head of the Inspection Division in Washington, telling the facts of the case, and suggesting that it be taken up with the Procurement Division.

Mr. GRAHAM. Do you know where that report can be found?

Mr. HIMES. A copy of that report was left in the files of the Boston office.

Mr. GRAHAM. After you wrote that report what happened to you?

Mr. HIMES. I was sent to France.

Mr. GRAHAM. How quickly after that?

Mr. HIMES. I do not believe it was more than a week or 10 days.

Mr. GRAHAM. Did you have any preliminary notice that you were going to be sent to France, or any reason to think that you were going to be taken off that job?

Mr. HIMES. No. I had been working to get a transfer out of the Ordnance so as to be able to get to France, but I had never tried to get to France in the Ordnance. I feel confident that efforts I made to get to France had nothing to do with it, because I was trying to get to France as a member of the Tank Corps.

Mr. GRAHAM. Did they send you as an Ordnance officer?

Mr. HIMES. As an Ordnance officer; yes, sir.

Mr. GRAHAM. And who signed your order?

Mr. HIMES. I do not recall—the head of the division.

Mr. GRAHAM. After you left there do you know whether that contract was signed and those belts taken?

Mr. HIMES. I really do not know. Lieut. Griscom was my assistant in charge of the textile-equipment contracts, and he remained after I went to France, and I lost touch with the whole thing. The last thing I did before I left the Boston office was to write a three or four page detailed report on the situation at Mr. Long's and the questions then pending. We had continuous trouble.

Mr. GRAHAM. Why? What was his attitude, and what was the trouble about mostly?

Mr. HIMES. Every little petty thing that could happen. One instance was this: We had an inspector out there by the name of W. W. Russ of Haverhill, Mass.—

Mr. GRAHAM. Was he an officer?

Mr. HIMES. No; he was a civilian. I remember very distinctly being in the office that Mr. Long had provided for the Government inspector in his factory and Mr. Russ took me to his desk saying: "I can not keep my papers privately, because my desk is broken open in my absence at night" and showed me the broken locks.

Mr. GRAHAM. Do you know how often it was broken open?

Mr. HIMES. I do not know how often, but I know it happened more than once. I recall that conversation occurred only once on that subject.

Mr. GRAHAM. Did you speak to Mr. Long about it?

Mr. HIMES. We took Mr. Long in and showed him the desk, as I recall it.

Mr. GRAHAM. What did he say?

Mr. HIMES. He said he did not see how it could happen and he would do what he could. He indicated some concern, but it was never corrected.

Mr. GRAHAM. Do you know whether anything was taken out of the desk?

Mr. HIMES. I do not know that anything was taken.

Mr. GRAHAM. Just the lock broken?

Mr. HIMES. I do not know that anything was taken at all and when we would bring up questions of poor quality it was not a case of feeling satisfied that that was being attended to and that we could forget it as we felt very confident we could in the case of most of our other factories, but that same thing would maybe occur week after week. We could never get definite action correcting faults. It continued throughout the time I was in Boston.

Mr. GRAHAM. What was his attitude as it impressed you, Captain? Was his attitude that of one who was trying to do the best he could, or was his attitude that of one who was trying to take advantage of the Government?

Mr. HIMES. It depends upon the point of view Mr. Long had. If his point of view was that the Government's welfare was promoted by quantity production then he was doing his best for the Government. I never felt that that was his sincere reason for quantity production, although that was merely an opinion of mine. I always felt that his real reason for quantity production was that it permitted a greater output and greater profits on what he did produce. The thing I felt that confirmed my opinion in that was that if he had been working for the benefit of the Government strictly he would have tried to overcome the poor quality, the cases of poor quality that were brought to his attention, but they were not corrected, they continued.

Mr. GRAHAM. Captain, do you know, from your own knowledge and from anything that you have learned recently, whether recently there has been officers of the Military Intelligence that are starting an investigation into the Long matters?

Mr. HIMES. On Monday, a representative of the Military Intelligence from Boston called on me in my office in Pennsylvania.

Mr. GRAHAM. To get information about him?

Mr. HIMES. Yes, sir.

Mr. GRAHAM. Did he tell you anything about what was being done?

Mr. HIMES. He told me he was merely investigating, and my name had been given to him as having had contact with Mr. Long in connection with his Ordnance contracts.

Mr. GRAHAM. Did he say by whose authority he was working?

Mr. HIMES. He did not. He showed me his card as being of the Military Intelligence.

Mr. GRAHAM. Do you know whether the investigation of this committee has anything to do with that investigation?

Mr. HIMES. I do not know a thing about it.

Mr. GRAHAM. Did this representative say anything about it?

Mr. HIMES. No; he did not mention any connection with this committee.

Mr. GRAHAM. Do you know where your reports and correspondence with the department are?

Mr. HIMES. My reports or copies of my reports were all left in the files of the Boston District Ordnance Office.

Mr. GRAHAM. Were any of them sent down here?

Mr. HIMES. The original reports, some of them were.

Mr. GRAHAM. Have you ever seen any of them since you came back? Did you try to find them?

Mr. HIMES. I have not been interested in them. The equipment section of the Ordnance Department was transferred to the Quartermaster's Department after I went to France, so I do not know what became of the records in the transfer. The officer in charge of the records in the Boston District Ordnance Office was Capt. Colleton.

Mr. GRAHAM. I suppose you made quite a number of reports did you, on the character of this material, and so on?

Mr. HIMES. I did make quite a number, but I did not report every case in writing by any manner of means. I should say that the majority of them were reported in writing.

Mr. GRAHAM. You think copies of them are in the Boston Ordnance Office?

Mr. HIMES. Copies were left there and filed there.

Mr. GRAHAM. So that this committee can get them there if they need them?

Mr. HIMES. I should say so. A great deal of these conversations were carried on by telephone.

Mr. GRAHAM. I suppose you knew young Richard Long there and saw him?

Mr. HIMES. Yes; I met him in Washington before I went to Boston.

Mr. GRAHAM. Let me ask you whether or not you had any trouble with Mr. Long, calling to his attention the sanitary conditions of the goods that were coming out of that factory?

Mr. HIMES. Yes; I did.

Mr. GRAHAM. Tell us about that, will you, please?

Mr. HIMES. It was brought to my attention by the fact that one of our inspectors was taken out of the factory with a contagious disease, I believe it was scarlet fever, I am not sure. The thought immediately occurred to me that perhaps the equipment might communicate this disease to the troops, and I went to a doctor in a hospital out in Brookline. I remember this report came to me on Sunday. I asked him if there was any possibility, and he expressed as his opinion that it might be. I then went to the health officer of Framingham and took the matter up with him—rather, I am anticipating my story—I called up Washington on Sunday and told them of it, that I thought it was a thing that ought to be looked into. They told me they were afraid it was out of the sphere of the department's activities and that I would have to get that corrected through local authority or else forget it. So I saw the local health officer in Framingham, but did not get much action out of him. My recollection is that I went into the matter pretty thoroughly with Mr. Long and didn't get much satisfaction there. I then recall going to the State health department in Boston, and that case was finally made a matter of record there; a letter was written to them and a reply received stating their position.

Mr. GRAHAM. Was anything done?

Mr. HIMES. Nothing, as nearly as I can tell.

Mr. GRAHAM. Did you get any further word from Washington about it?

Mr. HIMES. No, sir; I always felt I did not get much backing from Washington in dealing at R. H. Long & Son's factory.

Mr. GRAHAM. Did you examine to ascertain whether there was any chance of contagion of this equipment in that factory?

Mr. HIMES. I went through the factory.

Mr. GRAHAM. What were the sanitary conditions?

Mr. HIMES. The working conditions, in my opinion, were abominable.

Mr. GRAHAM. Tell us just what you mean by that.

Mr. HIMES. Well, first of all, I recall the toilets were overflowing and were not in fit condition for use. They should not have been used at all. I do not know whether it was defective plumbing or what, but the floors were covered with the sewage and water. There are a great many more employees in the factory than should have been in the factory. They were working very closely together without proper sanitary conditions, so far as numbers were concerned. My inspector reported to me that there was vermin in the factory and that he was having difficulty. I remember that he did not report it as a dangerous health condition, but he reported it in connection with his trouble in keeping female inspectors in there. I did not see any of the vermin myself.

Mr. GRAHAM. Do you know whether there was any disease prevalent around the factory?

Mr. HIMES. My recollection is that there were several cases of contagious disease taken out of the factory afterwards. I took that up with Mr. Long, and he denied it, and there was no way to ascertain it definitely.

Mr. GRAHAM. Did you say that the State board of health made an examination?

Mr. HIMES. My recollection is that the board of health made an examination through its local officers in Framingham.

Mr. GRAHAM. What did it report, do you know?

Mr. HIMES. The report, as I recall it, was a whitewash of the whole thing.

Mr. GRAHAM. As I understand it, the contracts, as I have looked at them, provide that the goods shall be manufactured under sanitary conditions and in a sanitary way, and the only thing that this committee could be interested in in that matter is whether the goods were fit for use and whether they were contaminated in any way. Do you know?

Mr. HIMES. The only proof of that would be the fact as to whether or not the goods did contaminate any soldiers, and I do not know that. The rest is largely a matter of opinion.

Mr. GRAHAM. Did you say one of your inspectors got scarlet fever in there?

Mr. HIMES. There were four inspectors taken out with contagious diseases. I do not recall what the diseases were, and I do not know that they were contracted from the equipment.

Mr. GRAHAM. What sort of workmen did he have in there?

Mr. HIMES. He had a conglomeration of all the nationalities I ever saw in New England, black and white. My recollection is—would this committee be interested in the question of wages?

Mr. GRAHAM. No; we won't go into that. That is beyond our—

Mr. HIMES. The contracts provided a clause that the Federal laws regarding child labor and hours of labor should be complied with.

Mr. GRAHAM. I know that is, Captain, but I do not believe that we will go into that just now. It is a matter of expenditure of money with us. Have you told us all that you know with regard to the quality or price of these goods? Do you think of anything that would be of interest to the committee which I have not asked you?

Mr. HIMES. I think the ground has been pretty thoroughly covered. I have given you a couple of examples, but they must not be considered as being the only examples there were, but merely examples of a condition that was general and existed the whole time I was there.

Mr. GRAHAM. Do you have any personal feeling against Mr. Long?

Mr. HIMES. Why, no. Mr. Long and I always had the friendliest relations. I admired Mr. Long in many ways.

Mr. GRAHAM. Then, there is no reason why in any way you should attempt to color anything you have to say by reason of any personal feelings?

Mr. HIMES. Not the slightest.

Mr. JEFFERIS. Do you know about what Mr. Long was getting from the Government for making these belts about which you have testified?

Mr. HIMES. Yes, sir. I had knowledge of the prices he was receiving, because I had the contracts.

Mr. JEFFERIS. About what was he receiving?

Mr. HIMES. I recall that on the particular cartridge-belt contract on which these 75,000 were rejected that the price was in the neighborhood of \$3. It may have been a little more or it may have been a little less.

Mr. JEFFERIS. \$3 apiece.

Mr. HIMES. Yes, sir.

Mr. JEFFERIS. Could you describe one of those belts to the committee?

Mr. GRAHAM. Possibly we have one of them here. I will see.

Mr. HIMES. It would take quite a while, sir. The belt was made in two halves that were practically identical and were joined on the back by the adjusting straps to adjust the size, which merely passed through buckles. Each half of the belt was made on a back of folded duck to which were attached at one end the front buckle and at the end the back tackle for adjusting, by buckles, and on the body of the belt there was a piece of duck sewed that was crimped into pockets. It was sewed at the bottom, and the pockets were divided by stitching. Roughly, that is the description of the cartridge belt.

Mr. JEFFERIS. Was it a hard thing to make?

Mr. HIMES. Well, it was made very successfully by several manufacturers in New England.

Mr. JEFFERIS. Do you know about what the material and labor costs in a belt was?

Mr. HIMES. No, sir. The reason I do not know that is that I had nothing to do with the price or procurement of any of this equipment. I dealt solely with inspection.

Mr. JEFFERIS. Did you ever talk with Mr. Long as to what profit he had in making these belts?

Mr. HIMES. I never recall any conversation upon that subject; no.
Mr. JEFFERIS. They were made with sewing machines, were they not?

Mr. HIMES. Yes, sir.

Mr. JEFFERIS. Was there any leather in them at all?

Mr. HIMES. Not in those belts; no, sir.

Mr. JEFFERIS. How many cartridges were they supposed to hold when made according to specifications?

Mr. HIMES. Ten cartridges to each pocket, and there were 10 pockets—100 cartridges.

Mr. JEFFERIS. About how many would these belts hold that he made?

Mr. HIMES. We never accepted any that would hold less than 100. There were some that we accepted on which the pockets had to be stretched in order to meet the requirements.

Mr. JEFFERIS. About how much material do you think there was in each belt, Mr. HIMES?

Mr. HIMES. I have no recollection of it further than that it was a small amount. My recollection is not clear, but it is that we figured it out as being 6 per cent of the particular piece that was short—it was not the whole belt, but that particular piece.

Mr. JEFFERIS. Did you ever see anybody darning these belts where the holes were in them?

Mr. HIMES. Yes, sir.

Mr. JEFFERIS. Who did that?

Mr. HIMES. One of Mr. Long's employees.

Mr. JEFFERIS. How would they darn them—with what kind of material?

Mr. HIMES. Olive-drab thread; thread of the same color as the material.

Mr. JEFFERIS. Did you have anything to do with the inspecting of any of his leather goods?

Mr. HIMES. The latter part of the time I was in Boston I had charge of the inspection of all the leather ordnance contracts.

Mr. JEFFERIS. What did you find on them?

Mr. HIMES. The same conditions in general existed on this that existed on the textile-equipment contracts. I was not as familiar with leather as I was with textile equipment. It was added to my work after I had first been sent there, and I had an officer under me who was looking after that leather contract.

Mr. JEFFERIS. What about the material which entered into the manufacture of the leather goods? Was it up to specifications or not?

Mr. HIMES. As I said, my recollection is that the general difficulties with the leather contracts were similar to those with the textile contracts—that the leather equipment was frequently of inferior quality.

Mr. JEFFERIS. Do you know whether he made any deductions as to the cost when he would furnish that kind of material, or did he collect for anything that he could get through?

Mr. HIMES. On leather contracts?

Mr. JEFFERIS. Yes.

Mr. HIMES. I do not recall whether or not there were any deductions made.

Mr. JEFFERIS. Were there any reductions made in any of these textiles other than this one instance that you mentioned, where about 1 per cent was deducted?

Mr. HIMES. My recollection is it was 1 per cent. I think it was 3 cents a belt—I do not recollect.

Mr. JEFFERIS. Did you talk at all to his son about these conditions there?

Mr. HIMES. I frequently talked to Mr. Long's son; yes.

Mr. JEFFERIS. What was his attitude about it?

Mr. HIMES. I never talked to his son with the idea of having anything accomplished, because that concern was a one-man concern. Mr. Long ran it, absolutely.

Mr. JEFFERIS. So you endeavored to bring it to his attention rather than to the son's attention?

Mr. HIMES. I frequently talked to Mr. Long's son, because I was able to get more information from his son than I was from Mr. Long, which I would then go to Mr. Long and use.

Mr. JEFFERIS. What was his son's statement about the use of this inferior material?

Mr. HIMES. I do not recall any specific conversation. I just know that if I would question Dick Long I could frequently get him into confessing things, which was the only source of getting that information. I do not recall any specific cases.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. What confessions, for instance, did the young man make?

Mr. HIMES. As I said, I do not remember any specific cases. There is a vague recollection in my mind of one instance when I had up the question of this defective webbing that was in their storehouse, that I did get some information from the son which confirmed my opinion that it had been bought as rejected webbing, but I do not recall the conversation in detail.

Mr. GARRETT. Are there any other confessions that you remember the young man making?

Mr. HIMES. I do not recall them in detail; no, sir. I do not think "confessions" is a good word to use, rather information, perhaps.

Mr. GARRETT. That was your word, of course. I was simply using your word.

Mr. HIMES. I see. I must have made a poor choice of words. For instance, if I would go out to the factory and Mr. Long would be absent, if I would get hold of his son to talk these things over in the course of the conversation I would be very apt to learn where Mr. Long had gone, and if he had gone to Washington, his purpose in going, information of that kind.

Mr. GARRETT. Your relations with the young man were cordial?

Mr. HIMES. Yes; my relations were cordial with the whole organization. As a matter of fact I recall once having dinner with Mr. Long at his house and eating with the entire family.

Mr. GARRETT. You spoke of admiring Mr. Long in many respects. Just what did you mean?

Mr. HIMES. I admired Mr. Long's executive ability in running a business of that kind with an organization that was not visible.

As I said before, as nearly as I could see it was a one-man concern as when I left Mr. Long was employing between four and five thousand men, as I recall, and had some twenty or twenty-five million dollars' worth of ordnance contracts, as I recall it; so it was a pretty big one-man job, and he got away with it in fine shape.

Mr. GARRETT. Did you have trouble of the same character with other factories?

Mr. HIMES. You mean——

Mr. GARRETT. Rejection of material?

Mr. HIMES. We had trouble regarding quality, yes; with practically every other factory with which we dealt. It differed in every case. I do not believe there was an exception. They differed in this particular: That when we would have these troubles and go to the contractor or his superintendent and point out to him and explain the difficulty and request that it be overcome, generally it had disappeared on our next visit.

Mr. GARRETT. In quantity I presume his contracts were much greater than any of the others, were they?

Mr. HIMES. Yes, sir.

Mr. GARRETT. Had more contracts and did more work than any other one institution up there, did he?

Mr. HIMES. Of any that I had to do with; yes, sir.

-Mr. GARRETT. Did you have to do with all New England?

Mr. HIMES. I had to do with all of New England excepting Connecticut on ordnance equipment.

Mr. GARRETT. Yes; I meant within the scope of your duties. How did the labor employed by Mr. Long compare with that employed by the other factories? Was it of the same character of labor very much?

Mr. HIMES. I never went into——

Mr. GARRETT (interposing). A conglomerate——

Mr. HIMES (interposing). I beg pardon?

Mr. GARRETT. A conglomerate body?

Mr. HIMES. I never went into details of that kind either in the Long factory or any other. I was not particularly interested directly.

Mr. GARRETT. What I have in mind was your statement, which has been made before the committee as to the employment of all nationalities there. Was that true in the other factories as well?

Mr. HIMES. I do not know whether it was or not, because as I would walk through a factory if nothing attracted my attention to labor I did not try to look into it. I recall that the mass of people in the Long factory did attract my attention, and I noticed conditions in there I feel confident I never noticed in any other factory—white people and colored people working together. There may have been, but I never noticed it, and I was not impressed in any other factory with that conglomerate class of employees.

Mr. GARRETT. How many inspectors did the Government have there at his factory; do you know?

Mr. HIMES. My recollection is that I had over 100 inspectors at his factories in the latter part of the time I was in New England.

Mr. GARRETT. You said that some of these belts that were accepted had to be stretched. Where were they carried for stretching? Where was that work done? Do you remember, or do you know?

Mr. HIMES. I do not recall definitely, but they usually were returned to Mr. Long.

Mr. GARRETT. And he repaired them?

Mr. HIMES. In that connection I might say that we had difficulty in our inspection in this way: That we would reject stock and send it back to him and we felt that that same stock was coming back, over and over and over again without any repairs having been made, and a lot of it could not be repaired. You know we had no way—we did not find that out definitely until we started to mark some pieces so as to be able to identify them when they did come back. We found that that was a custom. So he kept shoving them through and through and through. Probably it is just a question of percentage that we would have slip some by every once in a while. It is largely a matter of individual opinion on some of the goods.

Mr. GARRETT. Each belt is inspected, I suppose?

Mr. HIMES. Every individual piece of equipment there except the very minute pieces were inspected.

Mr. GARRETT. Were most of the materials for these belts purchased by Mr. Long himself?

Mr. HIMES. Some of it, and some of it by the Government. That is, on some contracts it was furnished by Mr. Long and on some contracts it was furnished by the Government.

Mr. GARRETT. Where did he procure his supply? From the same factories that the Government did, or do you know anything about that?

Mr. HIMES. I really do not know.

Mr. GARRETT. That part which the Government furnished was inspected, I assume, before it reached his factory?

Mr. HIMES. Yes, sir.

Mr. GARRETT. And that part that he furnished was not?

Mr. HIMES. No, sir.

Mr. GARRETT. Was it inspected before it went into production?

Mr. HIMES. No, sir.

Mr. GARRETT. Neither the Government material nor his material?

Mr. HIMES. No, sir. We tried to arrange to inspect the material he bought before it went into production. I had that question up with Mr. Long and we came nearer to having unpleasant relations over that than any other question, as I recall it, because he did not see fit to offer any opportunity to make such inspection.

Mr. GARRETT. Did you tell us how many of those belts were darned?

Mr. HIMES. I believe I said my recollection was 10,000 or 15,000 were in that lot.

Mr. GARRETT. That is all belts were darned?

Mr. HIMES. Yes. They were defective for various reasons, other than short measure. Some were darned, some were crooked, and various reasons.

Mr. GARRETT. The belt that was darned was weak, was it?

Mr. HIMES. The body of the canvas was cut or torn, so that unquestionably it was not as strong as a full piece of canvas would have been.

Mr. GARRETT. The darning of it did not bring it up to the proper tensile strength?

Mr. HIMES. I did not know if it did, but I was of the opinion that it did not.

Mr. GARRETT. Did you say they were finally accepted?

Mr. HIMES. No, sir. I said they were still there as rejected belts when I left.

Mr. GARRETT. You spoke of some being accepted. Of course, I might have got that confused with something else. Do you know when the specifications were made for these belts?

Mr. HIMES. The specifications for these belts were made before the war, I understand, to guide the manufacture of them at the Rock Island Arsenal. In that connection I might say that before the war practically all the belts were woven belts and that the Rock Island Arsenal had designed these stitched belts, sewed belts to provide a supply in case of emergency that the factories making woven belts could not take care of. That emergency arose at the time of this war and those specifications were then used.

Mr. GARRETT. It would have been practical to have made woven belts?

Mr. HIMES. They could, although the capacity of the factories making those woven belts was not adequate to supply the demand.

Mr. GARRETT. And the specifications for these particular belts were specifications that had been agreed upon before the war?

Mr. HIMES. That was my understanding; yes, sir.

Mr. GARRETT. Were there ever any orders multiplying them in any respect?

Mr. HIMES. I do not recall any. The modification—it was not a modification, it was a revision of the contract—was the one I mentioned of the 75,000. That was not a revision of specifications. I do not think it could properly be called that. It was an elimination of specifications. That is my recollection of that contract.

Mr. GARRETT. I suppose the demand for this equipment was very great?

Mr. HIMES. The demand was very great at the beginning of my time in Boston, yes, sir; and it was for that reason that we—

Mr. GARRETT (interposing). It was very urgent?

Mr. HIMES. Yes. We were not as strict in demanding compliance with the specifications as we were later. We rejected nothing that we felt approached real serviceability. Then later, along late in the spring of 1918, I received information that the supply was getting pretty large and the contractors should comply more nearly with the specifications gradually, and we tried to work it in gradually.

Mr. GARRETT. In that were you generally successful?

Mr. HIMES. I think we were pretty successful. As a matter of fact, practically all the contractors were complying with specifications very closely. At the very beginning of their contracts they made equipment that was not in accordance with specifications, due to ignorance on the part of their employees, but as they learned to perform the operations on the equipment they became more proficient and more expert and we had very little difficulty with quality in any of the other factories except Mr. Long's.

Mr. GARRETT. Excepting Mr. Long's factory?

Mr. HIMES. And we never got over having difficulty with quality there.

Mr. GARRETT. Did you state what your experience had been before you went into the service, what your business had been?

Mr. HIMES. My experience was that of a shoe manufacturer before I went into the Army.

Mr. GARRETT. Had you had any experience in textiles?

Mr. HIMES. No experience at all with textiles, sir. Perhaps you are thinking what I thought when I first was asked to take a commission. I told them that I knew nothing whatever of textiles and that I was not the right man for this position. The officer told me that knowledge of textiles was not necessary in the inspection of textile equipment; that they were selecting shoe manufacturers because the character of machines used was more similar to shoe-factory machines than any other industry in the country, because this equipment had only been made in the Rock Island Arsenal previous to the war; it had never been made outside.

Mr. GARRETT. I did not understand your statement a few minutes ago about that part of the belt which was cut short, which was the part, as I understand it, that was sewed on the belt and divided into pockets. You said that you could not tell whether it was short after it was put in place.

Mr. HIMES. No, sir. I can illustrate that here with a piece of paper more easily than in any other way. That was crimped like that, see [illustrating with a piece of paper]. There was a pocket formed like this, and there were five of those put in one piece, you see, placed very closely together.

Mr. GARRETT. Why was it you could not tell after it was sewed on that it was short?

Mr. HIMES. On account of measuring around those corners. You could not measure accurately as you see there. That was sewed on to the belt and you could not measure accurately around the crimp in there.

Mr. GARRETT. Then how was it determined that it was short?

Mr. HIMES. I suspected it was short because the pockets were very tight when you inserted your cartridge; and I determined it was actually short by going to the cutting machines and measuring a piece before it was made a part of the belt. I measured them while they were flat.

Mr. GARRETT. Would those pockets hold the requisite amount of cartridges; that is, would they hold 10?

Mr. HIMES. We never knowingly accepted a belt that did not hold 10.

Mr. GARRETT. Do I understand you that even some of those that had these short pieces, would hold 10, is that right?

Mr. HIMES. I should say that all of them would hold 10.

Mr. GARRETT. But it was too tight?

Mr. HIMES. No; I imagine they were largely serviceable. In that respect I do not think they were any different from belts we had previously accepted because we needed them so badly, but my feeling on it was that the Government was not getting from Mr. Long the kind of material that it had contracted for and was paying for.

Mr. GARRETT. How did the prices on this contract—this is \$3 a belt?

Mr. HIMES. It was in that neighborhood.

Mr. GARRETT. How did it compare with the other contracts in the New England section?

Mr. HIMES. My recollection is that the contracts were **given largely** at the same prices. The question of price was not of any interest to me.

Mr. GARRETT. Yes; I understand.

Mr. HIMES. And that is why I do not know much about **that**.

Mr. GARRETT. I supposed, though, that you possessed **some information** about the others.

Mr. HIMES. I did have, and my recollection is that the **prices** were about the same, **generally**.

Mr. GARRETT. I think that is all.

Mr. GRAHAM. That is all, Mr. Himes.

TESTIMONY OF MR. WALTER GRISCOM.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Where do you live?

Mr. GRISCOM. Cambridge.

Mr. GRAHAM. Massachusetts?

Mr. GRISCOM. Massachusetts.

Mr. GRAHAM. Were you in the military service during the war?

Mr. GRISCOM. I was.

Mr. GRAHAM. In what capacity?

Mr. GRISCOM. As a lieutenant—second lieutenant.

Mr. GRAHAM. When did you go into the service?

Mr. GRISCOM. My commission was dated November 17, 1917, but I was working under Capt. Himes as a civilian for two or three weeks, I believe, before that.

Mr. GRAHAM. During that time were you located at the Boston ordnance office?

Mr. GRISCOM. I was.

Mr. GRAHAM. You think you were working there as a civilian for Capt. Himes for about three weeks before you were commissioned?

Mr. GRISCOM. I think, approximately that.

Mr. GRAHAM. Were you with the Ordnance Department?

Mr. GRISCOM. I was.

Mr. GRAHAM. What was your business, Lieutenant, in the military department?

Mr. GRISCOM. I was—my orders read, go up and assist Capt. Himes; report to him, and do as he directed.

Mr. GRAHAM. Were you in the inspection department then, from that time on?

Mr. GRISCOM. I was.

Mr. GRAHAM. Did you have anything to do with any contracts of R. H. Long & Co.?

Mr. GRISCOM. I did.

Mr. GRAHAM. What relation did you have with them?

Mr. GRISCOM. I was in the office with Capt. Himes, in Boston. He had charge of both textiles and textile equipment. I was given direct charge of the inspection of textile equipment under Capt. Himes, while another officer had charge of the inspection of textiles.

Mr. GRAHAM. Now, as such inspector, what sort of materials did you inspect, Lieutenant?

Mr. GRISCOM. All sorts of ordnance textile equipment. Practically all of them were made out of duck or webbing.

Mr. GRAHAM. At such inspection did you have occasion at any time to go to the factory of R. H. Long & Co.?

Mr. GRISCOM. I was out there, I should say roughly, on an average of twice a week. Capt. Himes and I usually went out there together. Their factory was the largest in the district, and was the factory after which we were looking most closely, and so we usually went together on that particular job.

Mr. GRAHAM. Now, Lieutenant, Capt. Himes has told us about certain defective material that he saw from time to time. Did you ever observe anything in your inspection trips to the factory that led you to believe that there was any material going into the manufactures there that was not according to specification?

Mr. GRISCOM. Capt. Himes and myself worked so very closely together that it was almost inevitable that I should see anything that he saw, and vice versa. As I say, we were out there together on practically every point that he has brought out. My personal experience was the same as his. We saw things at the same time and discussed them with Mr. Long together. I do not say we did that in every case, but that was usually the case.

Mr. GRAHAM. Did you ever see there material that, in your judgment, was not according to specifications or these descriptions?

Mr. GRISCOM. The same things that Capt. Himes said I can say about those cartridge belts, the short cartridge belts, the darned cartridge belts; and he and I found the bales of what we thought at the time, and still think—at least I do—were sweepings of textiles in the warehouse.

Mr. GRAHAM. Do you know yourself, Lieutenant, whether those boxes that stuff came in were marked as having come from any other factory?

Mr. GRISCOM. They were.

Mr. GRAHAM. What factory? Is the name Conant?

Mr. GRISCOM. No; it is not Conant. It was a factory not far from Boston. The name has gone from my mind for the moment, but I can think of it in a minute. It has been over a year—they were in bales, not in boxes.

Mr. GRAHAM. Was there any marking on the boxes or bales?

Mr. GRISCOM. There was.

Mr. GRAHAM. What marking.

Mr. GRISCOM. The name of the manufacturer.

Mr. GRAHAM. Was there anything to indicate that they had been rejected by the Government inspectors?

Mr. GRISCOM. The quality of the webbing itself was such that no inspector, no Government inspector, possibly could have accepted it.

Mr. GRAHAM. Did you learn from the inspectors at this other factory whether they had recently rejected any such materials?

Mr. GRISCOM. Capt. Himes told me that that report had come in to him.

Mr. GRAHAM. But all you have is what Capt. Himes told you?

Mr. GRISCOM. Yes.

Mr. GRAHAM. You had no inspector's report, did you, on that?

Mr. GRISCOM. No; I did not have charge of the inspection of textiles.

Mr. GRAHAM. Do you know whether that material disappeared from that warehouse?

Mr. GRISCOM. I do; it did.

Mr. GRAHAM. Do you know whether it was used in any of that stuff around there?

Mr. GRISCOM. I could not identify it in any textile equipment; but we could identify webbing that looked very much like the webbing we had seen in these bales and boxes, although I can not be definite about that; I never saw it put on.

Mr. GRAHAM. What did you ever say to Long about this stuff; anything?

Mr. GRISCOM. I think that Capt. Himes brought it to Mr. Long's attention.

Mr. GRAHAM. What did Mr. Long say?

Mr. GRISCOM. And Mr. Long, as I recall it, denied any knowledge of such material having been brought in.

Mr. GRAHAM. Did he say it had not been brought in, or simply he did not know about it?

Mr. GRISCOM. He did not know about it. Mr. Long was a very busy man, and he could not be expected to have personal knowledge of a great deal that went on around the factory.

Mr. GRAHAM. How much of that stuff was there you spoke of. bales and bags; how much of it was there at the factory?

Mr. GRISCOM. Most of the webbing when it came in was done up in rolls of a certain length; I can not tell you exactly, because I am not a textile man; but large rolls of half-inch, one-inch, and two-inch webbing. This other stuff was small pieces from perhaps anywhere from a few inches to 5 feet, thrown loosely, at random, as though somebody had shoveled it up. Some of it was very loosely woven so you could see right through the webbing. Personally, I think we saw 3 or 4 of those bales in there. It is a very large warehouse, and it would be very hard getting around. You had to dig your way through it.

Mr. GRAHAM. Was there ever any obstruction placed in the way of your inspection of this warehouse?

Mr. GRISCOM. No. The warehouse was in the new building at the latter part of the time, and the office of our chief inspector was in that building, and we had to go through the warehouse to get into his office, where things were so piled up that unless you pulled around boxes and bales to get down to the bottom of things you could not be sure of what was in there.

Mr. GRAHAM. Did you ever hear Mr. Long say anything about materials that he was using when he was spoken to about it being Government materials?

Mr. GRISCOM. I have, many times, on account of the two different sorts of contracts; as Capt. Himes testified this afternoon, he was buying materials and the Government was furnishing materials. They were supposed to be of the same quality. It was generally the case whenever poor-quality stuff came through in finished goods, as I recall it, for Mr. Long to say that that was Government-supplied material.

Mr. GRAHAM. Do you know whether he bought the same grade of goods that the Government furnished?

Mr. GRISCOM. I do not know anything about what Mr. Long bought. We would see what came in, but I do not know about the quality of textiles.

Mr. GRAHAM. Were you examining some of the leather goods, too?

Mr. GRISCOM. No; leather was not in my province at all. Capt. Himes had another officer who had charge of that.

Mr. GRAHAM. Lieutenant, something has been said here about quite a lot of materials that were rejected, belts and one thing and another. You know about that, I suppose?

Mr. GRISCOM. I do.

Mr. GRAHAM. Was there anything else besides belts that you knew of that had been rejected along from time to time that had accumulated in the factory?

Mr. GRISCOM. There was a large quantity of feed bags, feed bags to go over a horse's head, which were rejected on account of poor weave and poor quality. There was a large accumulation of those at one time, but they were finally accepted on direct orders from Washington.

Mr. GRAHAM. Did you inspectors have any fuss with Mr. Long about that?

Mr. GRISCOM. Except that Mr. Long believed that they should be accepted. He felt that they were serviceable, as a good many of them were. There were a few with a head strap that held the bag up over the horse's nose that we felt—we tried them out on horses—we felt that they were so short that for a large-headed horse it would be very difficult for the horse to get his nose into the bag, and we rejected a good many of those bags.

Mr. GRAHAM. What did he tell you about it?

Mr. GRISCOM. He thought that the average horse could get its nose into it, I believe.

Mr. GRAHAM. Did he come to Washington?

Mr. GRISCOM. I can't remember about that particular time, but I know he went down pretty often.

Mr. GRAHAM. What was his custom when you inspectors had differences with him about goods, was he in the habit of coming to Washington about it?

Mr. GRISCOM. It was always Capt. Himes's policy to be very willing and even anxious to tell Mr. Long to go to Washington; and he was merely representing Washington in Boston and if Mr. Long had any questions in which he felt that he was not being treated fairly either by Capt. Himes or by myself to take it up with our superiors and we would be very glad to right him in any way that we felt we could conscientiously.

Mr. GRAHAM. Do you know whether on such occasions he would go to Boston?

Mr. GRISCOM. To Washington, you mean?

Mr. GRAHAM. Or Washington?

Mr. GRISCOM. I believe that he went to Washington. His son, Richard Long, would say he was in Washington, which was the only direct knowledge I had of it.

Mr. GRAHAM. Following these trips to Washington, did you observe whether any orders ever came to the factory reversing the inspectors on the matter?

Mr. GRISCOM. I have noticed on various times certain representatives of the department would come from Washington and look over these articles and urge us to accept them.

Mr. GRAHAM. After Capt. Himes was ordered to France did you stay there a while?

Mr. GRISCOM. I was in Boston. The Ordnance Textile Division was transferred to the Quartermasters Department, as I recall, about August of 1918. I was transferred with that division, and I was in the Quartermaster Corps after the transfer until October, 1918, when I received overseas orders.

Mr. GRAHAM. You had gone in the Ordnance Department?

Mr. GRISCOM. I received my first commission in 1917 in the Ordnance.

Mr. GRAHAM. When the transfer was made to the Quartermasters were you referred to as a Quartermaster officer?

Mr. GRISCOM. I was changed over to Quartermaster—became a Quartermaster officer.

Mr. GRAHAM. Do you know what happened to these belts that had been rejected, whether a new contract had been sent after Capt. Himes left?

Mr. GRISCOM. I do not know of direct knowledge. There was an officer sent up to take Capt. Himes's place, and he requested me to stay away from Long's, but I was told by the inspector at Long's and by another officer who went there and who was in our office in Boston, but who would go out there, that it had all been accepted.

Mr. GRAHAM. Do you know who that officer was?

Mr. GRISCOM. His name was Lieut. Brown.

Mr. GRAHAM. You do not know his initials, do you?

Mr. GRISCOM. His initials were C. C.

Mr. GRAHAM. Is he still in the service?

Mr. GRISCOM. He is not.

Mr. GRAHAM. Who told you to stay away from Long's?

Mr. GRISCOM. Capt. Rick.

Mr. GRAHAM. Do you know what his initials are?

Mr. GRISCOM. I do not recall.

Mr. GRAHAM. Where did he come from?

Mr. GRISCOM. I believe he came from Reading, Pa.

Mr. GRAHAM. He was in the service, then, was he?

Mr. GRISCOM. He was in the service; he was a captain.

Mr. GRAHAM. Did he come from Washington?

Mr. GRISCOM. He was at one time stationed in Washington, and then he was put in charge of the New York district, Ordnance office, a place corresponding to that of Capt. Himes in Boston.

Mr. GRAHAM. When he came up there what was it he told you about that? That is a rather interesting proposition. What was it he told you, as nearly as you can remember?

Mr. GRISCOM. If you would like me to tell—

Mr. GRAHAM. Tell the circumstances; yes.

Mr. GRISCOM. The circumstances were these: There was Mr. Russ, who had been chief inspector at R. H. Long's, resigned about the time Capt. Himes was ordered to France. It was necessary for some one to take his place immediately, and Capt. Rick suggested to me the name of another officer, whom I knew personally, and by reputation,

to be, as I believed, utterly incompetent. I protested, perhaps too vehemently, having the knowledge I did, and told him that it would destroy all the effect of our inspection, the system we had built up of inspection at Long's. I do not remember his exact words, but he informed me that I had better be careful or else I would get in trouble, so I said no more about it, and shortly after that I was requested not to go out to Long's again.

Mr. GRAHAM. Who requested you not to go?

Mr. GRISCOM. Capt. Rick.

Mr. GRAHAM. What followed that?

Mr. GRISCOM. As I say, I understood from the inspector in charge at Long's and from this officer who did go out that those belts had all been accepted.

Mr. GRAHAM. Did you remain in your position?

Mr. GRISCOM. I was nominally there until I was sent overseas.

Mr. GRAHAM. How long after that were you sent overseas?

Mr. GRISCOM. The belts were accepted, as I remember some time in September. At least I was told they were accepted some time in September. Early in October I received overseas orders—some-time about the middle of October, I think it was.

Mr. GRAHAM. During the time you were told to get away from Long's and the time you received overseas orders did you have any duties to perform?

Mr. GRISCOM. Practically none.

Mr. GRAHAM. You felt that you were relieved?

Mr. GRISCOM. I felt that I was relieved.

Mr. GRAHAM. Was this man Rick sent up there to have charge of that place?

Mr. GRISCOM. At the time Capt. Himes left he was to take Capt. Himes's place in a general way. Capt. Rick knew nothing about conditions in the Boston district. He had never been up there before and the portion of textile equipment manufactured in New York was very, very much smaller than that manufactured in New England. He had but very little experience with textile equipment. He handled a good deal of leather so I was told.

Mr. GRAHAM. Was it him you were protesting about or somebody else?

Mr. GRISCOM. It was another man whom he wanted to appoint there and I protested against this man being appointed there.

Mr. GRAHAM. He wanted to appoint him as what?

Mr. GRISCOM. As chief inspector at R. H. Long's. I had had another experience with this officer.

Mr. GRAHAM. Who was this, lieutenant, he wanted to appoint?

Mr. GRISCOM. A Capt. Ulrichs.

Mr. GRAHAM. Where had you had any experience with him before?

Mr. GRISCOM. When I was a civilian, when I first went out there in Springfield.

Mr. GRAHAM. What was your experience, I am curious to know?

Mr. GRISCOM. He had charge of the inspection of materials at certain plants around Springfield. One was the Victor Sporting Goods Co. He was short of inspectors and he telephoned to Capt. Himes asking him whether he could borrow an inspector to install an inspection system at this plant. Capt. Himes sent

me down there temporarily to him. They were making canteen covers at that place. They had never made them before. I installed inspection, trained my two girls who were instructing them to inspect and started in to look over them myself. In testing the canteen covers the regular test was to pull the back seam to see whether the rear end was strongly sewed under. I found that with very little pressure they ripped open very badly. I notified the president and he said it was all right, that the rest of them would be better; and I continued to inspect them and found possibly 25 per cent were that way. When I had done this he called up Capt. Ulrichs on the telephone and told him of the rejection by the inspectors. Capt. Ulrichs came up and told the contractor that the things would be inspected over again anyhow so it didn't make any difference what I did. I requested Capt. Himes to remove me. I was removed—wrote a report about it to Washington. An investigation was made and it was found they were using, as I say, cotton thread instead of linen thread on the back seam.

Mr. GRAHAM. So this man Ulrichs knew that?

Mr. GRISCOM. He knew that at that time and he at one time had been in charge at Washington and had been transferred very shortly away from Washington.

Mr. GRAHAM. Now, Lieutenant, do you know who made that investigation and disclosed this fact about Ulrichs?

Mr. GRISCOM. I spoke about what I have just told you from personal knowledge.

Mr. GRAHAM. You know that there was an investigation by Washington, do you?

Mr. GRISCOM. No, not about this. Ulrichs had been at Washington before this time and he was ordered away from Washington to take charge of a smaller place.

Mr. GRAHAM. Did they disclose why cotton thread was being used?

Mr. GRISCOM. In Springfield I found that out when I tested the canteen covers.

Mr. GRAHAM. They did not have an investigation on that particular matter?

Mr. GRISCOM. No, sir.

Mr. GRAHAM. Did they ever have an investigation in which Ulrichs was investigated?

Mr. GRISCOM. No, not that I am aware of. However, that story became fairly well known.

Mr. GRAHAM. But Rick insisted on putting him there, did he?

Mr. GRISCOM. He did not finally, but he told me he was going to.

Mr. GRAHAM. Do you know why he did it?

Mr. GRISCOM. I do not know.

Mr. GRAHAM. Who did he put there?

Mr. GRISCOM. He put a civilian named Hovey there.

Mr. GRAHAM. Did you know anything about Rick before that matter, where he had been or what he had been doing?

Mr. GRISCOM. No, except I have seen him at Washington in the Ordnance office at various times and I knew from correspondence that he was in charge of the New York office.

Mr. GRAHAM. Had he ever been out to Long's plant before this time?

Mr. GRISCOM. I believe he had been some time early in October of November of 1917, but I had never seen him there during my time in Boston.

Mr. JEFFERIS. These feed bags of which you spoke, Mr. Griscom, you ever test them out to see whether they were big enough for a good sized horse's nose?

Mr. GRISCOM. Our inspectors did.

Mr. JEFFERIS. What did they find out?

Mr. GRISCOM. They found out that they were small, so the inspectors reported to me, some of them.

Mr. JEFFERIS. Not suitable for use then on a good sized horse?

Mr. GRISCOM. That is what the inspectors told me.

Mr. JEFFERIS. Was that the reason that you were rejecting them?

Mr. GRISCOM. That was a partial reason; the other reasons were the quality of the webbing and the color of the webbing which was very dark, almost black.

Mr. JEFFERIS. You say you got direct orders from Washington to accept them?

Mr. GRISCOM. We were urged to accept them by a representative from Washington.

Mr. JEFFERIS. Do you know who that was?

Mr. GRISCOM. One of the persons as I remember it, was Mr. Heuer.

Mr. JEFFERIS. Do you know whether his visit up there and request of you to accept them followed any visit of Mr. Long to Washington?

Mr. GRISCOM. I can not answer that question directly, because I do not recall.

Mr. JEFFERIS. Do you know what this Capt. Rick's business was before he was in the Army?

Mr. GRISCOM. I believe he was a manufacturer of hosiery. That is what I have been told, but I don't know of my own personal knowledge.

Mr. JEFFERIS. How old a man was he?

Mr. GRISCOM. Roughly, around 30 or 35.

Mr. JEFFERIS. Was there any other reason or was there any real reason why you should be ordered not to go out to Long's?

Mr. GRISCOM. Not as far as I know. I have never had any knowledge of it except that.

Mr. JEFFERIS. Had you ever had any trouble with Long—personal trouble or anything?

Mr. GRISCOM. Nothing at any time.

Mr. JEFFERIS. The only discussion that you had with Capt. Rick about Long was when you took the position that this man Ulrichs was not a proper man to go out there?

Mr. GRISCOM. We naturally talked over details of inspection as they came up from day to day, but I should say that the only time that we were very much at odds about the inspection out there was that time.

Mr. JEFFERIS. How long after you had that discussion with Capt. Rick was it before he told you that you should not go out to Long's any more?

Mr. GRISCOM. I can not recall definitely, but it was not a long time.

Mr. JEFFERIS. A few days after?

Mr. GRISCOM. I should say a week or so, maybe.

Mr. JEFFERIS. Did he give you any reason why you should not go out there any more?

Mr. GRISCOM. No.

Mr. JEFFERIS. When you went overseas how did you go over—in what department?

Mr. GRISCOM. I did not go over. I was ordered over, and got as far as Hoboken when the armistice was signed.

Mr. JEFFERIS. How were you going? In any way that you had applied to go?

Mr. GRISCOM. No; I had applied, as Capt. Himes had, while in the Ordnance Department. I was going over as a quartermaster casual.

Mr. JEFFERIS. And how were you assigned to go—how had you applied to go?

Mr. GRISCOM. I had applied individually and through letters to various friends in Washington, to Capt. Day and Capt. Conant and others, to be sent overseas.

Mr. JEFFERIS. In the Ordnance Department?

Mr. GRISCOM. In the Ordnance Department.

Mr. JEFFERIS. And when your assignments came you went over how, or were to go over how?

Mr. GRISCOM. As a quartermaster casual.

Mr. JEFFERIS. I believe that is all.

Mr. GARRETT. The work you had been doing in Boston was transferred to the Quartermaster Corps before that time?

Mr. GRISCOM. Practically all of it. We did all the inspection of the ordnance as well in the helmet lining. We inspect them for the Ordnance Department, but helmet linings still came under Ordnance Department. With that exception, all our work came under Quartermaster.

Mr. GARRETT. You really were a Quartermaster officer at the time you were ordered to France?

Mr. GRISCOM. Exactly.

Mr. GARRETT. Did you ever have any misunderstandings with Mr. Long?

Mr. GRISCOM. Not as far as I recall.

Mr. GARRETT. No unpleasantness?

Mr. GRISCOM. No so far as I recall.

Mr. GARRETT. When you would direct his attention to these things concerning which you have testified where materials or articles did not come up to specifications, did no unpleasantness occur whatever in any way?

Mr. GRISCOM. None whatsoever. Our relations were always perfectly cordial. We could not have had it otherwise.

Mr. GARRETT. Why?

Mr. GRISCOM. Because we never allowed any personal feelings to enter into our relations with any contractors up there. It was a matter of getting the quality for the United States Government and that was the only thing we thought about.

Mr. GARRETT. Mr. Long took those things all right himself, did he?

Mr. GRISCOM. Apparently.

Mr. GARRETT. He did not complain at your directing his attention to these matters?

Mr. GRISCOM. He never complained because we directed his attention to matters, but as far as I could see he never remedied matters.

Mr. GARRETT. He did not lose his temper?

Mr. GRISCOM. Not so far as I could see.

Mr. GARRETT. Did he ever suggest that you gentlemen did not know anything about it or were inefficient or anything of that sort to you?

Mr. GRISCOM. Not so far as I can recall. It is my recollection that he spoke that way of officers of other divisions.

Mr. GARRETT. He was never offensive about it in any way?

Mr. GRISCOM. No; not personally at all.

Mr. GARRETT. Who was Mr. Heuer, where was he from?

Mr. GRISCOM. He was from the Rock Island Arsenal.

Mr. GARRETT. Were you located at Rock Island?

Mr. GRISCOM. No; I never was. I proceeded directly to Boston, reporting to Capt. Himes.

Mr. GRISCOM. Where did you learn this work so as to equip yourself for the inspection service?

Mr. GRISCOM. Under Capt. Himes, as I worked around the Boston district.

Mr. GARRETT. He taught you that?

Mr. GRISCOM. Yes.

Mr. GARRETT. Did you tell us what your business experience had been before you entered the Army?

Mr. GRISCOM. I was a manufacturer of glazed kid before the war and I was editing a leather journal at the time I went into the service.

Mr. GARRETT. I believe you stated that Capt. Rick informed you that you had better be careful or you would get into trouble at one time.

Mr. GRISCOM. I said that was, approximately as I could remember it; that I could not remember his exact words.

Mr. GARRETT. What else did he say about that? Did he say how you would get into trouble?

Mr. GRISCOM. No, sir. As I understood, because of Army regulations which forbade a subordinate officer to argue with his superior.

Mr. GARRETT. That is to say Capt. Rick himself seemed to resent your arguing with him?

Mr. GRISCOM. Yes.

Mr. GARRETT. That was the trouble that he indicated?

Mr. GRISCOM. Yes.

Mr. GARRETT. Have you any reason to believe that you were ordered transferred to Europe because of anything you had done at the Long factory?

Mr. GRISCOM. I have no idea of why I was ordered to Europe. My orders came through, and that is all I know about it.

Mr. GARRETT. You had, then, I assume, no reason to believe it was on account of anything that you had done there?

Mr. GRISCOM. I had no definite reason to believe it was for any particular reason whatsoever, except my superior officers.

Mr. GARRETT. Did Capt. Rick assign any reason for the orders given that you stay away from Long's?

Mr. GRISCOM. No.

Mr. GARRETT. Who was Capt. Rick, where was he from?

Mr. GRISCOM. At one time he was in charge in Washington and was later ordered to New York. He had charge of the textile equipment. Textile Division down there corresponded to Capt. Himes's position in Boston.

Mr. GARRETT. Do you know where he was from?

Mr. GRISCOM. Reading.

Mr. GARRETT. Where is Reading? Pennsylvania?

Mr. GRISCOM. Reading, Pa.

Mr. GARRETT. You spoke of the fact that it was Capt. Himes's policy where a difficulty arose between yourselves and Mr. Long to encourage—I believe you used the word encourage—him to take it up with the Washington authorities.

Mr. GRISCOM. We said that we should always be very glad to have him take any matters of difference of opinion up with our superiors.

Mr. GARRETT. And you said that you would write to Washington as far as you conscientiously could. Just what did you mean by that?

Mr. GRISCOM. I do not recall saying that. If the stenographer will read what I said about that——

Mr. GARRETT. We will not worry about that. If you did say that, well, I guess I can hardly ask the question about it if you say you did not say it.

Mr. GRISCOM. I do not say I did not say it. I say I do not recall it.

Mr. GARRETT. Well, as a matter of fact, did you write Washington at any time when Mr. Long would visit here?

Mr. GRISCOM. We would always give very full reports to Washington.

Mr. GARRETT. Did you, at any time, recommend that while you could not accept these things because they did not come up to specifications yet you regarded them as serviceable?

Mr. GRISCOM. Exactly.

Mr. GARRETT. While under your limitations you could not take them, yet you regarded them as serviceable?

Mr. GRISCOM. As Capt. Himes testified during the first part of the time, it was the policy of Washington to accept articles which were not altogether up to specifications but which were serviceable. Towards the middle and latter end of 1918 supplies of ordnance equipment had become so large that we received orders from Washington that the demand for quantity had subsided and that the specifications should be more strictly adhered to, and that it what we attempted to do.

Mr. GARRETT. And in making your reports to Washington about these matters that Mr. Long was coming to Washington see about, do I understand that you would advise Washington that they were regarded as serviceable although not up to specifications?

Mr. GRISCOM. In certain instances we would; at times when such things occurred we would tell them the exact situation.

Mr. GARRETT. Whether you thought they were serviceable or not?

Mr. GRISCOM. Yes.

Mr. GARRETT. Did that occur frequently?

Mr. GRISCOM. During the first part of the time it occurred very often.

Mr. GARRETT. Well, now, as a matter of fact, when those things did occur, what was your attitude, what was your viewpoint of it, that they ought to be accepted—did you approve that policy of accepting that?

Mr. GRISCOM. I approved it during the great shortage of supplies at the beginning of the war; I heartily approved of accepting anything that was really serviceable. As supplies grew, and came in from all over the country I felt that the contractor should deliver what he was paid for.

Mr. GARRETT. Now, the feed bags that were rejected—I believe you stated one reason for their rejection was on account of their color. Did I understand you correctly on that?

Mr. GRISCOM. You did.

Mr. GARRETT. What figure did that cut in it? Was that a mere matter of specification?

Mr. GRISCOM. Because the specifications called for olive drab duck, and a large part of the duck and webbing, particularly webbing, as I remember it, was almost black instead of being olive drab.

Mr. GARRETT. I suppose, as a matter of fact, it would not make very much difference to the horse whether he was eating out of a black bag or an olive drab one?

Mr. GRISCOM. Not a bit, but it was at the time we had received word from Washington to make the contractors deliver more nearly what was being paid for.

Mr. GARRETT. So that did not affect the serviceability, but it did not meet the specifications?

Mr. GRISCOM. Absolutely. That is it exactly.

Mr. GARRETT. Do you happen to know anything about whether there was a shortage in the material that the specifications called for that might have allowed the making of them out of different-colored materials?

Mr. GRISCOM. I do not know about that point.

Mr. GARRETT. Was this material that was colored, as substantial a material as the other?

Mr. GRISCOM. In my opinion it was not. It was loosely woven and not nearly as serviceable as the harder.

Mr. GARRETT. And would not have lasted as long?

Mr. GRISCOM. That was my opinion.

Mr. GARRETT. Do you know whether when those were accepted there was any reduction in price?

Mr. GRISCOM. I do not know about that.

Mr. GARRETT. You say you personally saw three or four bales of this material which was referred to as being sweepings or something of that nature?

Mr. GRISCOM. Yes.

Mr. GARRETT. Was there any considerable quantity—did those three or four bales amount to very much in the comparison with the aggregate amount?

Mr. GRISCOM. It was a very small quantity compared with the immense amount of stuff which was brought into our H. Long factory.

Mr. GARRETT. I suppose he was receiving very large quantities of stuff all the time there?

Mr. GRISCOM. He was.

Mr. GARRETT. Very heavy shipments?

Mr. GRISCOM. Very heavy.

Mr. GARRETT. I suppose that it is entirely within possibility that this stuff could have been put off on him by the concern that sent it—I mean from whom he received his orders, that it might have come in without any knowledge upon his part.

Mr. GRISCOM. I can not answer you directly on that point except that as we heard from our inspector at the textile plant as Capt. Himes told me, Mr. Long was getting rejected webbing from that plant where this man was inspecting.

Mr. GARRETT. Did he report that Mr. Long knew that fact?

Mr. GRISCOM. No.

Mr. GARRETT. Mr. Long, I believe you say had no knowledge of it himself.

Mr. GRISCOM. I understood him to say so.

Mr. GARRETT. But you did see some articles that did look like they might have been made with this stuff?

Mr. GRISCOM. Yes, sir.

Mr. GARRETT. Those articles you rejected, of course?

Mr. GRISCOM. Yes.

Mr. GARRETT. Was there any very considerable number of them?

Mr. GRISCOM. I do not recall. You see this webbing was used in a large number of articles. The actual inspection was made by perhaps 100 girls and we went up there from day to day. They would bring samples of these articles to us and we would see them.

Mr. JEFFERIS. One further question. Was this black stuff that was used in these feed bags cheaper in cost than the olive drab duck?

Mr. GRISCOM. I can not answer you on that, I do not know.

Mr. JEFFERIS. But you thought it was not as lasting?

Mr. GRISCOM. I thought it was not as serviceable.

Mr. GRAHAM. If there is nothing further, the committee will stand adjourned.

(Whereupon the committee adjourned at 4.45 o'clock p. m.)

**SUBCOMMITTEE NO. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
*Monday, November 3, 1919.***

The subcommittee met at 11 o'clock a. m., House of Representatives, Washington, D. C., Hon. William J. Graham (chairman) presiding.

STATEMENT OF MR. ANDREW STEWART, PUBLIC ACCOUNTANT.

(The witness was duly sworn by the chairman.)

Mr. GRAHAM. What is your business, Mr. Stewart?

Mr. STEWART. I am a public accountant, a member of the firm of Marwick, Mitchell, Peat & Co., accountants and auditors of New York and of other cities.

Mr. GRAHAM. Sometime ago did you undertake to ascertain for this committee the net cash expenditures of the War Department during the period of the war?

Mr. STEWART. Yes.

Mr. GRAHAM. Tell us whether, in so doing, you used for the purposes of comparison the former figures furnished this committee by the War Department showing those balances.

Mr. STEWART. Yes. I submit this statement showing in detail, in competitive form the figures of expenditures from April 6, 1917, to June 1, 1919, as furnished this committee by the Director of Finance of the War Department.

Mr. GRAHAM. You don't happen to remember the book and page in our serial where that appeared?

Mr. STEWART. Yes; on page 40 of the first volume.

Mr. GRAHAM. Now, this statement on page 40 of serial 1, gives the total complete to the official credit of the disbursing officer for expenditures by the War Department for all purposes since April 6, 1917, and up until June 1, 1919. I observe that half of this tabulation is not in strict conformity with the question. The question asked is the expenditure, but the answer says the total sum placed to the official credit of the disbursing officer. Now, in your ascertainment of this matter, did you take the same dates, Mr. Stewart, from April 6, 1917, to June 1, 1919?

Mr. STEWART. Yes.

Mr. GRAHAM. Does this tabulation which you have furnished the committee here show the expenditures for that date?

Mr. STEWART. It does, according to the records of the department.

Mr. GRAHAM. Well, I notice your heading is "Statistics regarding net cash expenditures from April 6, 1917, to September 1, 1919, and outstanding obligations as of September 1, 1919."

Mr. STEWART. Yes, sir.

Mr. GRAHAM. Does that include the same information as is given in this other tabulation which says the total sum placed to the official credit of the disbursing officer?

Mr. STEWART. Yes; and in connection with that I should call attention to the testimony of Gen. Lord, on page 289, when he pointed out the sum of \$247,000,000 added to the statement previously furnished that is mentioned in previous report there [indicating.]

Mr. GRAHAM. That \$247,000,000 should be added?

Mr. STEWART. Yes, sir.

Mr. GRAHAM. Well, now; I don't understand your statement; but take this report of yours, now, and tell us whether you found the balance given by Gen. Lord in the answer given on page 40, serial 1, is correct as you found it?

Mr. STEWART. No; we found that the expenditures shown by the War Department book and Quartermaster Corps were understated one hundred and eighty-four million and odd dollars and the Ordnance Department the amount was overstated one hundred and fifty million and odd. The Medical Department was understated over nine million and odd; the Engineer Corps was overstated over \$2,000,000; the Signal Corps overstated over \$2,000,000, and Military Aviation and Aeronautical overstated \$51,000,000. There were other small differences. The total amount overstated in the statement furnished came to \$209,325,265, and total amounts understated were \$195,483,814.48. These figures did not take into account the outstanding obligations from June 1. We were informed that there was no proper record of such obligations ordinarily of that date; that it would be impossible to ascertain them now, but as of September 1, 1919, there is supposed to be a proper record of the outstanding obligations and we have shown that in column 5 [indicating], which is \$2,931,921,325.20.

Mr. GRAHAM. That is outstanding expenditures in addition to the amount shown as theretofore expended?

Mr. STEWART. Yes.

Mr. GRAHAM. Now, what, then, is the total net cash expenditures and obligations from April 6, 1917, to September 1, 1919?

Mr. STEWART. The total is \$18,501,117,999.12.

Mr. GRAHAM. Well, this statement of Gen. Lord's is found on page 40, which gives the total as \$14,544,610,213.61, being the total obligations and expenditures up to June 1, 1919.

Mr. STEWART. No; it does not include obligations at that date, nor does it include balances expended by the disbursing officers during the previous month, which Gen. Lord has testified would amount to a further \$247,000,000, but which we have ascertained should be \$75,000,000 less. In other words, \$173,000,000.

Mr. GRAHAM. The statement and figures that Gen. Lord gave on page 289 were not correct, you say?

Mr. STEWART. Yes; his figures were based on an aggregate working balance of \$618,554,396.40, but according to the books of the department the whole working balances are only \$542,915,516.92.

Mr. GRAHAM. Do you know how that error occurred?

Mr. STEWART. No; I have no knowledge of that.

Mr. GRAHAM. Then he was wrong about his working balance by about \$75,000,000?

Mr. STEWART. Yes.

Mr. GRAHAM. How does it happen that the figures that he gives of June 1, 1919, on page 40 of our records—how does it happen that they are not correct—of the correct amount?

Mr. STEWART. We have received explanation from officers in the department as to the reason for the differences which we shall be glad to state.

First, that the statement furnished to the committee was gotten up in a considerable hurry; that the records had not been completely written up to June 1, at the time the statement was furnished, that the figures of expenditures were received by telephone messages, from other departments to copy them on a statement by an officer who is not now in the service, that the statement in which these figures have been compiled, has not been preserved. In other words, at present, then, there is actually no one that can reproduce those figures. To obviate that we were instructed by you and asked for a new statement of June 1. In column 2 there [indicating] is their statement in accordance with their books.

Mr. GRAHAM. How did you verify that?

Mr. STEWART. We simply compared the totals as shown by the records of each department. That is, we did not attempt to make an audit of expenditures, but to check up the method in which they were compiled. We simply accepted the War Department's totals and ascertained that the records showed that these amounts had been expended.

Mr. GRAHAM. Mr. Stewart, how long did it take you gentlemen to do this? How extended a job was this? I want you to tell us about the method—and something about the method and difficulties you had in getting the information.

Mr. STEWART. Our first difficulty was to get to the officer or employee who really had knowledge of the matter that we wanted to find out. While we were shown every courtesy and offered every facility, it took us almost two days to find the man who was able to tell us anything.

After we had ascertained that these figures could not be reproduced, we asked them to prepare a new statement as of June 1, and also as of September 1. That statement was furnished by several departments promptly, but by others after considerable time elapsed. We requested these statements on October 1, 1919, and the last of them was not delivered to us until October 11.

After the statements were furnished to us, time was taken up in discussing exactly what the figures meant, in order to enable us to intelligently put them together in one statement. The methods of accounting in War Department had not been uniform in the past. The same words have been used in different departments to mean a different thing. The result was that considerable discussion was necessary with the employees to prepare these statements to make sure that we understood the terminology used by them. As a result we had our men in the department for 17 days. The delay was also caused by changes in employees, vocations, and sickness,

and it meant that instead of receiving the statement compiled, we had to waste considerable time discussing the methods of preparation with the men in charge and in explaining what we wanted.

Mr. GRAHAM. Why, didn't any of these officers tell you how they got these other balances, where they got them?

Mr. STEWART. They told me generally the method followed. There was a statement prepared by the Director of Finance up to December 31, 1918. It showed the total as expended and the total obligations at that date. Then a further statement had been prepared for about three or four months later. Those two were added together and a rough estimate made of the expenditures for the last two or three months and then the whole three were added together, but, unfortunately, we were unable to get the statement from which they compiled these figures and there was no way of figuring or reproducing them.

Mr. GRAHAM. Well, has a new system of bookkeeping been recently installed?

Mr. STEWART. I have been informed that has been done; that an accounting system is now installed there in charge of Mr. H. L. Robinson.

Mr. GRAHAM. How long has that been done?

Mr. STEWART. It was being put in effect, in the various bureaus then and should be in now. I think the majority of them are having it completely installed.

Mr. GRAHAM. Was it impossible prior to the installation of this system to get a balance from the books at any time?

Mr. STEWART. It certainly was not an easy matter to get us a statement of the total expenditures. I am informed that the new system seeks to remedy that so that it will be possible to get a statement in a very short time. One reason why an accurate statement could not be obtained is that no complete records were kept of the obligations incurred.

Mr. GRAHAM. Why was that?

Mr. STEWART. I do not know the reason why.

Mr. GRAHAM. Suppose the Government let some contract, and we will say in Chicago. What was their system of keeping track of those obligations?

Mr. STEWART. The difficulty of obtaining a statement was that the massive information relating to contracts was not brought together at one place. No doubt each department had a record of the obligations incurred by it, but to get all those together would be an enormous undertaking.

Mr. GRAHAM. Are they adopting a system now by which these things are put together?

Mr. STEWART. Yes; as of September 1, we have been able to get a statement of total obligations, which is shown in column 5.

Mr. GRAHAM. Have they done that before; did they do that at any time during the war?

Mr. STEWART. I believe they had not.

Mr. GRAHAM. So that just before that time it was impossible for the War Department to tell how much they owed; is that correct?

Mr. STEWART. I can qualify that with this statement: They have a statement issued to December 31, 1918, which showed the amount obligated, but proof that the system was not complete is shown by

the fact that the chief accountant is unable to prepare a statement showing what the obligations were on June 1, 1919.

Mr. GRAHAM. He can not do that.

Mr. STEWART. So we were informed.

Mr. GRAHAM. Would it have been possible for one to ascertain what the obligations were on November 12, 1918, the date the armistice was signed?

Mr. STEWART. I assume the same answer would be given by the chief accountant that he had been unable to prepare such a statement.

Mr. GRAHAM. Why did he say, Mr. Stewart, that he was unable to give any such statements as of the 1st of June?

Mr. STEWART. I am not quite clear as to the reason just now, but I drew from his answer that the information was not on the records.

Mr. GRAHAM. This report included the tabulative statement—it is the report of your conclusions in the matter?

Mr. STEWART. Yes.

Mr. GRAHAM. I understand that you state in your report that you can not verify the distribution of the funds to the American Expeditionary Forces. Why were you unable to verify that? Were there no records of how much funds had been sent to them?

Mr. STEWART. The funds disbursed on account of the American Expeditionary Forces were not distributed separated on the record. No doubt we could have, by making a long inquiry—we could have made an intelligent investigation, but we thought that would be sufficient for the purposes of this investigation.

Mr. GRAHAM. How were the funds for the American Expeditionary Forces drawn, do you know?

Mr. STEWART. I could not say.

Mr. GRAHAM. You call attention to an item of \$5,000,000 paid to the Navy Department, it was included in the quartermaster's expenditure?

Mr. STEWART. Yes, sir.

Mr. GRAHAM. What was there about that? Could you tell us what that was?

Mr. STEWART. We made several inquiries but we could not find any one who could tell us what the nature of the disbursement was.

Mr. GRAHAM. No record that you could find?

Mr. STEWART. It simply shows the disbursement to the Navy Department without any explanation. That was the great difficulty in making an inquiry in such a large institution as the War Department to find out anything. You could not find a man who knew about it.

Mr. GRAHAM. Again you call attention to an item of \$209,000,000 paid to the War Risk Bureau out of the funds of the Quartermasters Corps on June 1, 1919. What was that?

Mr. STEWART. There was no information as to that except as it is described there.

Mr. GRAHAM. You do not give any details there.

Mr. STEWART. We could have gotten details, but we didn't go behind the totals shown.

Mr. GRAHAM. Where could you have gotten the details?

Mr. STEWART. They could have been obtained from the War Department or the War Risk Bureau.

Mr. GRAHAM. You also call attention to the sales of surplus materials aggregating several million dollars which are deducted from the expenditures. You say that as the amounts which have been so treated are scattered throughout the books of the departments, considerable work would be necessary to arrive at an accurate figure. How do they keep trace of the surplus materials?

Mr. STEWART. The amount realized from the sales are credited back to the appropriation.

Mr. GRAHAM. To the same appropriation?

Mr. STEWART. Yes, sir.

Mr. GRAHAM. And in arriving at the figures used in the net cash expenditures, they have deducted the proceeds of sales of any surplus material?

Mr. STEWART. I am informed that the system has recently been changed so that any money so realized will go directly to the Treasury and will not be available for expenditure again.

Mr. GRAHAM. Mr. Stewart, under that system, I assume that they take that same money and expend it under that appropriation?

Mr. STEWART. That was what has happened with several million dollars. We have not attempted to compare it and compile it, but you can see where they have been doing that. I remember seeing one item of \$1,500,000 that came from France.

Mr. GRAHAM. Do you have any idea how they do that?

Mr. STEWART. I can not state, but there was from five to ten million dollars that came to my attention in that way.

Mr. GRAHAM. But you did not go through it intelligently enough to know how much there was; did you inquire of anybody about the legality of that?

Mr. STEWART. I did not go into the legality at all.

Mr. GRAHAM. Did you go into the correctness of the bookkeeping?

Mr. STEWART. I did, with the chief accountant, and he informed me that that system had been changed.

Mr. GRAHAM. What did he say about this being correct?

Mr. STEWART. He did not express any opinion, but I presume that it has been found to be incorrect because it has been changed.

Mr. GRAHAM. When did they change it?

Mr. STEWART. Some time between June 1, and September 1.

Mr. GRAHAM. Of this year?

Mr. STEWART. Yes.

Mr. GRAHAM. When they found the error, did they go then through these funds and pick them out?

Mr. STEWART. No; that has not been done. Their books still show the net cash expenditures—the total expenditures less the amount derived.

Mr. GRAHAM. For instance, if there was an item, "Fortification of armaments, sea," as they call it, for the building of a powder plant like Nitro, W. Va., and then they sell that and receive a large amount of cash for the sale of it, they put that back in the same item of armaments for fortification, sea, and then spend it for anything else they wanted to under that appropriation?

Mr. STEWART. That corresponds with what happened with some of their contracts now.

Mr. JEFFERIS. I would like to know what is included in that column of the table here that you have furnished the committee. [Indicat-

ing.] "Amount obligated to be hereafter paid as of September 1, 1919," which totals up to a sum of nearly \$3,000,000,000. What do you mean by obligated? That is, are they liabilities incurred by the War Department; are they fixed and ascertained liabilities, or are they opened for adjustment?

Mr. STEWART. They are opened for adjustment, I understand. That includes contracts that may be canceled, lots of them may be canceled.

Mr. JEFFERIS. In other words, if I understand it, the total is the total amount of the maximum liabilities, and that includes formal contracts, informal contracts, all kinds of obligation like that?

Mr. STEWART. I don't know what you mean by formal contracts.

Mr. JEFFERIS. One that is executed in due form.

Mr. STEWART. Yes.

Mr. JEFFERIS. Does it include procurement orders; that is, the things that are supposed to be settled under the Dent Act?

Mr. STEWART. I am informed that includes any liabilities incurred by the War Department.

Mr. JEFFERIS. So that that amount in this column 5 would be subject to change in case any settlements were made?

Mr. STEWART. Yes; maybe more and maybe less.

Mr. GARRETT. This total of \$18,501,117,999.12 includes then all expenditures and all outstanding obligations of the War Department from April 6 to September 1, 1919; is that right?

Mr. STEWART. Yes; according to their records.

Mr. GARRETT. According to their records in the War Department?

Mr. STEWART. Yes.

Mr. GARRETT. I notice in this table—as I believe was the case in the table of Gen. Lord's—that there are no expenditures for the maintenance for the Judge Advocate General's Department nor the Inspector General's Department. Do you happen to know why that is?

Mr. STEWART. I could not explain that except that the records don't show any.

Mr. GARRETT. I wonder from what funds those departments were sustained; did you learn in the course of your investigation?

Mr. STEWART. No; I did not.

Mr. GARRETT. Of course, those divisions spend money. I was just wondering where it came from. I have reference to this practice of taking the proceeds of sales and placing them back in the funds from which the allotment for allocation was made. Has there been a ruling of the Comptroller of the Treasury or any other officer on that?

Mr. STEWART. I have been informed that that practice has been stopped.

Mr. GARRETT. Since when?

Mr. STEWART. Sometime since June 1 and September 1.

Mr. GARRETT. Prior to that time they treated it somewhat in the nature of a dissolving fund?

Mr. STEWART. That is sworn by a number of instances that I have examined with references to that. I have been informed that such practice has been discontinued but do not know it of my actual knowledge.

STEWART EXHIBIT No. 1.

STATEMENT OF NET CASH EXPENDITURES, SEPTEMBER 1, 1919, WAR DEPARTMENT.
BY MARWICK, MITCHELL, PEAT & CO., ACCOUNTANTS AND AUDITORS, NEW YORK.
N. Y.

NEW YORK, October 18, 1919.

HON. WM. J. GRAHAM,

*Chairman Select Committee on Expenditures in the War Department,
The Capitol, Washington, D. C.*

SIR: In accordance with your instructions, we have attended at the offices of the War Department and have obtained statements of net cash expenditures from April 6, 1917, to June 1 and also to September 1, 1919, and a statement of outstanding obligations as at September 1, 1919.

We now submit herewith a statement showing the following information:
Column 1, net cash expenditures from April 6, 1917 to June 1, 1919, as furnished by the Director of Finance to the committee.

Column 2, amended figures as shown by War Department books for same period.

Column 3, differences understated and overstate.

Column 4, net cash expenditures from April 6, 1917 to September 1, 1919, as shown by the War Department books.

Column 5, amount obligated to be hereafter paid as at September 1, 1919.

Column 6, total net cash expenditures and obligations April 6, 1917 to September 1, 1919.

The figures used in the preparation of the statement above described were obtained from officials of the various departments at our request. We have compared the figures supplied with the books of the War Department and have satisfied ourselves that the amounts stated are recorded as expenditures and obligations in their records. As instructed by you, we have not, however, attempted to verify the accuracy of the individual amounts or the method by which they are compiled, but have accepted the total amounts shown by the books of the department.

Our first instructions were to compare with the books of the War Department the statement of expenditures furnished to your committee by the Director of Finance as appearing on page 40 of the printed testimony. We ascertained, however, that, with the exception of the expenditures in The Adjutant General's Department, amounting to \$148,404.15, it was not possible to verify the figures stated from the books of the department because the statement furnished had been prepared by a compilation of figures appearing in the books and of incomplete data which at that time had not been recorded on the books. The statement on which this compilation had been made was not obtainable. When this condition was ascertained, we received your further instructions to request the department to prepare an amended statement as of June 1, 1919, setting forth the accounts as shown by their books and also a further statement as at September 1, 1919, together with a statement of the outstanding obligations at both dates, if possible. A statement of the outstanding obligations as at September 1, 1919, has been obtained, but it was not practicable in the time at our disposal to obtain a similar statement as at June 1, 1919. While no information is available as to the total obligations as at June 1, 1919, we are informed that the amount at that date would be considerably in excess of the amount outstanding as at September 1, 1919, reductions in the obligations having been made from time to time by cancellation of contracts and by payments.

The statement submitted herewith shows that the total expenditures and obligations as at September 1, 1919, amount to \$18,501,117.999.12, while the total expenditures shown by the statement previously furnished by the War Department to your committee as at June 1, 1919, were \$14,544,610.213.65.

The amended statement of expenditures as at June 1, 1919, compared with the statement previously furnished to your committee shows differences of considerable amount in practically every department. The total amounts understated in the first statement are \$195,483,814.48, and amounts overstated are \$209,325,322.65, a net overstatement of \$13,841,508.17.

On page 289 of the printed testimony it is indicated by Gen. Lord that a sum of \$247,933,920.96 should be added to the total of the statement furnished by him to your committee, as representing expenditures made by disbursing officers, which had not been recorded at the time the statement was prepared. While we have not been able to verify the correctness of the above amount, we have ascertained that it is based on an aggregate working balance of \$618,554,396.40, as stated by Gen. Lord, which, however, according to the books

and be \$542,915,516.92, and that, based on these figures, the amount stated should be reduced by \$75,638,879.48.

The distribution of the amounts expended between "United States" and "American Expeditionary Forces" shown on the statement furnished to your committee as at June 1, 1919, was not shown by the books, we have not attempted to verify this distribution, but have dealt with the total amounts.

The expenditures of the Quartermaster Corps as at June 1, 1919, include a payment of \$5,000,000 to the Navy Department. In the time at our disposal we were unable to obtain any reliable information regarding the nature of this payment.

The expenditures of the Quartermaster Corps at June 1, 1919, also include \$9,000,000 paid to the War Risk Bureau.

Sales of surplus materials aggregating several million dollars are deducted from the expenditures. As the amounts which have been so treated are scattered throughout the books of the departments, considerable work would be necessary to arrive at an accurate figure.

We shall be pleased to furnish any further information desired.

Respectfully submitted.

MARWICK, MITCHELL, PEAT & Co.

Statistics regarding net cash expenditures from Apr. 6, 1917, to Sept. 1, 1919, and outstanding obligation as at Sept. 1, 1919.

Department or corps.	Net cash expenditures Apr. 6, 1917, to June 1, 1919.		Understated (—), overstated (+).
	As furnished by Director of Finance.	As shown by War Department books.	
Quartermaster Corps.....	\$8,265,705,433.60	\$8,450,651,372.07	—\$184,945,938.47
Ordnance Department.....	4,142,433,822.16	3,991,489,570.48	+ 150,944,251.68
Medical Department.....	323,007,002.07	333,452,718.42	— 9,445,716.35
Engineer Corps.....	640,061,155.77	637,312,567.78	+ 2,748,587.99
Signal Corps proper.....	129,119,006.52	127,046,089.29	+ 2,073,517.23
Military Aviation and Aeronautics.....	902,310,100.91	851,115,297.92	+ 51,194,802.99
Adjutant General's Department.....	148,404.15	148,404.15	
Judge Advocate General's Department.....			
Provost Marshal General's Department.....	30,873,427.44	30,300,394.80	+ 573,032.64
Contingent expenses.....	2,855,401.10	2,783,818.73	+ 71,582.37
Additional employees.....	23,411,978.08	24,104,137.74	— 692,159.66
Inspector General's Department.....			
Chemical Warfare Service.....	83,933,821.85	82,364,334.10	+ 1,569,487.75
Total.....	14,544,610,213.65	14,530,768,705.48	+ 209,325,322.65 — 195,483,814.48 + 13,841,508.17

Department or corps.	Net cash expenditures, Apr. 6, 1917, to Sept. 1, 1919, as shown by War Department books.	Amount obligated to be hereafter paid as at Sept. 1, 1919.	Total net cash expenditures and obligations, Apr. 6, 1917, to Sept. 1, 1919.
Quartermaster Corps.....	\$9,119,610,372.52	\$1,020,863,943.65	\$10,140,474,316.17
Ordnance Department.....	4,291,865,402.81	1,587,643,253.21	5,879,508,656.02
Medical Department.....	350,006,328.93	14,231,036.42	373,237,365.35
Engineer Corps.....	650,300,790.97	53,377,768.78	703,738,559.75
Signal Corps proper.....	134,351,189.44	45,220,417.63	179,571,607.07
Military Aviation and Aeronautics.....	867,134,798.08	202,250,807.19	1,069,385,605.87
Adjutant General's Department.....	148,404.15		148,404.15
Judge Advocate General's Department.....			
Provost Marshal General's Department.....	31,343,662.86		31,343,662.86
Contingent expenses.....	3,409,998.81	11,808.95	3,421,807.76
Additional employees.....	26,097,034.38		26,097,034.38
Inspector General's Department.....			
Chemical Warfare Service.....	83,869,710.37	8,321,269.37	94,190,979.74
Total.....	15,569,197,693.92	2,931,920,305.20	18,501,117,999.12

Thereupon the committee began informal discussion which the reporter was directed not to take, at the close of which the committee adjourned subject to the call of the chairman.

**SUBCOMMITTEE No. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, November 4, 1919.**

The subcommittee met at 2.30 o'clock p. m. on call of the chairman, Hon. William J. Graham (chairman) presiding.

Present: Hon. Albert W. Jefferis, and Hon. Finis J. Garrett.

TESTIMONY OF COL. E. S. HUGHES, UNITED STATES ARMY.

The witness was duly sworn by Mr. Graham.

Mr. GRAHAM. Col. Hughes, this committee has been investigating matters of the Standard Steel Car Co., in which you are involved as one of the officers making settlement. Before concluding the examination we thought it proper to give you an opportunity to be heard. In doing so, the committee will have to observe the rule that has been followed heretofore and ask you if you desire to testify; and if you do testify, you waive any immunity that might accrue to you by reason of your testifying before this committee. If you desire, we will be glad to examine you and go over the matters about which we have been inquiring.

Col. HUGHES. I will be glad to submit to any examination you may make and I absolutely waive all immunity in the case.

Mr. GRAHAM. You are colonel in the Ordnance Department of the Army?

Col. HUGHES. Yes, sir.

Mr. GRAHAM. I think you are a member of the Regular Establishment?

Col. HUGHES. I have a commission as captain, Field Artillery, in the Regular Establishment; I am a major in the Army; colonel in the Ordnance Department.

Mr. GRAHAM. You had charge of the original negotiations with the Standard Steel Car Co. for the making of 240 millimeter Howitzer carriages?

Col. HUGHES. No, sir.

Mr. GRAHAM. Somehow or other I got the impression that you were the negotiating officer for this contract. When did you first have anything to do with the Standard Steel Car Co. contract or claim?

Col. HUGHES. In November and December, 1917, my first detail with the Standard Steel Car Co., due to the fact that I was an as-

sistant to Col. Hillman, who was at that time at the head of the Field Artillery section of the Ordnance Office, and as his assistant it was my duty to place with the various companies who were obtaining contracts for gun carriages and spare parts or replacement parts, as we called them.

Mr. GRAHAM. I observe this purchase order which was made on November 16, 1917, and signed by the initials "J. H. R. F. A. Lieutenant Colonel, Ordnance Department." Who made that purchase order, do you know?

Col. HUGHES. You mean who drafted that or signed it? Col. Rice.

Mr. GRAHAM. J. H. Rice?

Col. HUGHES. Yes.

Mr. GRAHAM. What were your particular duties now as regards this particular purchase order after you went into that department? What did you do with it up until the time the armistice was signed?

Col. HUGHES. I will just answer it was my duty to place orders for spares and replacement parts. The Engineering Division or the Engineering Section of the Field Artillery Division was responsible for determining the number of spares and replacement parts to be purchased for each of the gun carriages, so that when they went into the field they would have spares and replacement parts with them. I got my information from the Engineering Division and notified the contractor as to the quantity to manufacture. Then in January of 1918 the Ordnance Department reorganized and a procurement department was established, divided into sections, one of which was the field artillery section, and of which I was the head. It was then my duty to place all orders, for artillery, not only for spares and replacement parts, but everything we happened to need from the railroad mounts down to the 37 millimeter gun. Then under the organization we got our estimates of the quantity of spares and replacement parts to be purchased from the division ordnance requirements, and, working with certain data which they had, were able to ascertain how many spare replacements it was necessary to order. We simply did the negotiating as to the price and delivery with the contractor; made the bargain and drew up the contract through the legal section of the Procurement Division.

Mr. GRAHAM. Did you have charge of negotiations for the furnishing of 300 of these carriages, and then it was changed to 200 of these carriages by the Standard Steel Car Co.?

Col. HUGHES. No.

Mr. GRAHAM. Who did have?

Col. HUGHES. I can't answer with certainty; I can simply give you my opinion.

Mr. GRAHAM. Did you order any spare parts from them or have anything to do with the ordering of spare parts from the Standard Steel Car Co. on this contract?

Col. HUGHES. Yes; as I said, I placed those orders.

Mr. GRAHAM. But that was after the armistice?

Col. HUGHES. No; I left our office on October 24 for France of last year.

Mr. GRAHAM. When did you return to New York?

Col. HUGHES. On April 1 of this year.

Mr. GRAHAM. What were your duties in France?

Col. HUGHES. I was in the Supply Division.

Mr. GRAHAM. Well, when you came back—you say you got back about what time?

Col. HUGHES. About the first of April or possibly the last of March.

Mr. GRAHAM. After your return, what was your first connection with the Standard Steel Car Co.?

Col. HUGHES. After I came back I was ordered transferred to the field service of the Ordnance Department, and was told that I would be given a job as department ordnance officer of the Central Department, and at that time there was some delay in drafting the order which would authorize the department ordnance officer for the various departments.

On June 1, it became necessary for me to leave Washington, and I went to Chicago, with the idea that while I was awaiting the final draft of this order I could be attached to the district Ordnance office there.

Mr. GRAHAM. Let us get that straight. You were first to do what kind of work when you got back from France. When you were assigned to what kind of work?

Col. HUGHES. I was transferred to the Field Service.

Mr. GRAHAM. And as a member of the Field Service staff, what were you doing?

Col. HUGHES. I was to do nothing.

Mr. GRAHAM. And where were you located?

Col. HUGHES. Here in Washington.

Mr. GRAHAM. Were you on duty in Washington, or temporarily staying here?

Col. HUGHES. I was temporarily staying here awaiting final publication of those orders.

Mr. GRAHAM. And during that time ranked as colonel of Ordnance, did you?

Col. HUGHES. Yes.

Mr. GRAHAM. Do you remember the exact date when you returned from France?

Col. HUGHES. Yes; either the last day of March or the 1st day of April.

Mr. GRAHAM. Then how long were you idle?

Col. HUGHES. I was idle for about a month. Then I offered my services to Col. Jenks, who at that time was head of the Artillery Section. When I first came back Mr. Dorr asked for me for the War Department.

Mr. GRAHAM. Did you ever know him before?

Col. HUGHES. No, sir; I was introduced to him by a Capt. Day who worked in my section. When I came back he suggested that I was a proper person to be put on the War Department Claims Board.

Mr. GRAHAM. Was Day a Regular Army officer?

Col. HUGHES. No; he was temporary.

Mr. GRAHAM. When you were detached from foreign service, were your orders to report to Washington?

Col. HUGHES. Yes; I came back from France on a cablegram requesting—asking that I be sent back to settle contracts with which I had been familiar.

Mr. GRAHAM. Do you know who sent that?

Col. HUGHES. I think Col. Jenks sent that; I am not positive of that though.

Mr. GRAHAM. When you came back did you report to any particular person.

Col. HUGHES. I reported, when I got back, to New York. I called up the military personnel office and I asked for a three deays' leave which they granted me and sent me a telegram telling me to report to the chief of the Field Service.

Mr. GRAHAM. Who was he?

Col. HUGHES. Col. Fuller, at that time.

Mr. GRAHAM. Located in Washington?

Col. HUGHES. Yes, sir.

Mr. GRAHAM. And did you do so?

Col. HUGHES. Yes.

Mr. GRAHAM. What orders did he give?

Col. HUGHES. He explained the situation with regard to the drafting of this G. O. 80, which was the final word in authorizing the sending on of Ordnance officers. It was the final word in authorizing the department officers to be attached to the staff of the various commanding generals and prescribing certain duties in regard to the maintenance and supply of the Field Artillery and Ordnance.

Mr. GRAHAM. Then after he explained that to you, then you had no assignment for about a month?

Col. HUGHES. That is correct.

Mr. GRAHAM. Then you think Col. Jenks sent for you?

Col. HUGHES. I went to Col. Jenks and said I was not doing anything, and inasmuch as I had come back from France on a telegram for claims work I asked that I be put on claims work until this order went out, and he gave me the job of settling the claims for the Chilean guns, I think, some 12-inch guns which we had taken over from the Chilean Government during the war.

Now, my house lease ran out. I had been living here for two years, and my house lease was up on June 1, and knowing that it was simply a matter of just a short time before this order could be published I went to Col. Fuller and suggested that inasmuch as my house lease was up and it was hardly worth while to find any quarters in Washington with the state quarters were in then, that I be assigned to Chicago, and he said, "All right." He approved that suggestion and sent me to Chicago and transferred me to the Chicago district ordnance office until the order was published.

Mr. GRAHAM. In what capacity were you there?

Col. HUGHES. I was attached there the same way.

Mr. GRAHAM. Was that the custom, to take officers from the other side and station them in that manner with these various boards?

Col. HUGHES. I can not say.

Mr. GRAHAM. Do you know of any other case like that?

Col. HUGHES. I do not know.

Mr. GRAHAM. Did you have any talk with Mr. Dorr about the claims board?

Col. HUGHES. Yes.

Mr. GRAHAM. In any of those conversations did he ever talk with you about the Standard Steel Car claim?

Col. HUGHES. Never mentioned it.

Mr. GRAHAM. Did anyone else?

Col. HUGHES. Not until I got out to Chicago.

Mr. GRAHAM. You understood that Mr. Dorr did send for you because of your familiarity with the claims in that district?

Col. HUGHES. I do not know why he sent for me except at Capt. Day's suggestion that the reason was that I was a proper man to be put on the claims board.

Mr. GRAHAM. When did you get to Chicago, do you remember?

Col. HUGHES. June 2, I believe.

Mr. GRAHAM. Did you report to anyone?

Col. HUGHES. I reported to Mr. Russell, chief of the Chicago district ordnance office.

Mr. GRAHAM. Did he assign you to duty?

Col. HUGHES. Not right away.

Mr. GRAHAM. How long was it before you went to work?

Col. HUGHES. I could not say; I think it was about a week before he had me appointed a member of the district claims board.

Mr. GRAHAM. Did he personally appoint you?

Col. HUGHES. No; he requested the War Department to do that. I do not know what the proper channels were, but he went through them.

Mr. GRAHAM. Did you receive notification of that fact from Washington—War Department?

Col. HUGHES. No, sir; the district claims board received notification that I had been appointed a member of the claims board.

Mr. GRAHAM. So I presume you went to work along about the 9th of June as a member of the claims board?

Col. HUGHES. Approximately.

Mr. GRAHAM. Were you assigned to any particular duty, or just to general work?

Col. HUGHES. At that time I simply sat in as a member of the claims board when the cases were referred to it for action.

Mr. GRAHAM. You had no particular technical knowledge of any kind, did you, Colonel?

Col. HUGHES. I have a great deal of technical knowledge, but do not know if it is of the character you are referring to with regard to settling claims.

Mr. GRAHAM. Have you had any technical training along those lines?

Col. HUGHES. My experience in business matters has been—while I was purchasing agent for the Ordnance office here in Washington, buying all of this Artillery material I have been telling you about.

Mr. GRAHAM. I assume you had your preliminary training in military accounting along the line of your profession, but I wondered if you had any training along the lines of the particular matters that would come up before that board as such, to the manufacturing of munitions. The training you had was in the way of purchasing, was it not?

Col. HUGHES. Yes, sir.

Mr. GRAHAM. Well, when were you first assigned to duty for work on the Standard Steel Car Co.'s claim?

Col. HUGHES. The exact date I can't remember. It was after I had been in the office. The claim of the Standard Steel Car Co. was presented by Mr. Hanson, their president, on June 24.

Mr. GRAHAM. To the Chicago board?

Col. HUGHES. To the Chicago board. That was in compliance with the request answering a letter which I had written for Mr. Russell's signature approximately 10 days before that. I must have been told by Mr. Russell before that date that I was to do the best I could in settlement of the Standard Steel Car claim, and I should say it was 10 days or 2 weeks after I got out there before the subject was mentioned.

Mr. GRAHAM. Do you know whether Mr. Russell was the first man that ever asked you to take hold of the Standard Steel Car Co.'s claims?

Col. HUGHES. I am of the opinion that he was. I can't recall any one else mentioning it to me.

Mr. GRAHAM. Well, what did you first do? I wish you would describe in your own way what you did about the settlement of this claim. The preliminary matters prior to the passage by the Chicago claims board.

Col. HUGHES. Right up to the time of the passage, as I said in the previous answers, I am absolutely unable to tell exactly the exact date I got this job, but the first thing I did was to write a letter, as I have already stated, for Mr. Russell's signature, asking when we might expect to have their claim in the office. This was on June 24, I believe. The Standard Steel Car Co. officers, by their attorneys, came to the office and made a formal presentation. There was an informal discussion of the claim, and it was then turned over to me to handle.

I audited the thing carefully, and at Mr. Russell's request wrote several memorandums of my views of the claim, and it was such a big thing that I couldn't come—and I didn't come—to any hasty conclusions on the thing. So I talked it over with the other members of the office, and we had numerous informal discussions. I talked it over with Col. Arison, who occupied the office with me; with Mr. Russell and with Mr. Lyons, who hadn't left the office at that time. Then, as a result of these discussions, along about the middle of July, I asked the Standard Steel Car Co.'s representatives to come over to the office.

Mr. GRAHAM. Who were they?

Col. HUGHES. Mr. Cory and Mr. Jenks. They both came over. I went into informal conference with them and went over the claim, and told them as a result of all these discussions which I had had with other members of the office as to what I thought we could allow as a straight obligation on the part of the Government to pay. Then there was a long lapse of time during which no discussions and no negotiations were carried on with the Standard Steel Car Co. officials, due to the fact that the Ordnance Department here in Washington had not determined upon a proper certificate "C," which, perhaps you know, is the formal authorization from Washington for the board to proceed. There had been a great deal of discussion by the Standard Steel Car Co. and the Ordnance Department as to what that contract did contain and what, of course, was a proper audit, and it had not been put into a formal contract. There was a great deal of discussion with regard to the terms which would be incorporated in the contract formally.

August 20, I believe that is an approximate date before that, Mr. Graves, a member of the War

ms Board, came out to Chicago with this certificate "C" and a resolution.

Mr. GRAHAM. When was that?

Col. HUGHES. I think about August 20; I am not positive. He came out, as I say, equipped with this certificate "C" and a resolution from the War Department Claims Board to the effect that the board met the approval of the District Claims Board and would be set up to the company. It was a general resolution, and if they accepted it, they would sign the award with certificate "C," otherwise they would take the award and send the certificate "C" back to Washington. Then, having a member of the Washington Claims Board available, and feeling that the time was ripe for going into the negotiations in all seriousness, we were inclined to separation, and I spoke about it to Col. Arison and said I thought that he and I and Mr. Graves would form the negotiating board for the District Claims Board and proceed with our negotiation with Mr. Cory and Mr. Jenks or whoever the Standard Steel Car Co. sent over there, and from time to time notes were taken of all our meetings, and those notes you have a copy of there; they were all furnished you. I think our first meeting was held on August 21. During this discussion with Mr. Cory—he was the only member of the Standard Steel Car Co. present—we went over the original claim that had been submitted by the company and undertook a very general discussion as to the principal items of their claim. We did not arrive at any definite conclusion at that conference. We gave on certain points, and Mr. Cory gave on certain points. That is all discussed there, running on pages 15 to 120.

Then on Saturday, August 23, I think Col. Arison and Mr. Graves were present, we had another conference with Mr. Cory and discussed the matter again in great detail. We went into every single point of the claim, and those matters are as shown in the minutes of our conference of August 23, pages 121 to 184. Then, at the windup of that conference—this is only general, because I am not discussing any particular item—we made Mr. Cory an offer in settlement of \$2,750,000. In my offer to Mr. Cory in July, I told him that as far as the discussion with the various members of the district board was concerned, I felt that we could, without trouble, secure \$2,429,000, but he wouldn't consider that at all. There had been some contracts accepted, and we gave no inkling of that. As a result of our second conference, we made him an offer of \$2,750,000, which was not acceptable to him. At the same time we took up the question of salvage. We explained to him that we wanted to get from him an offer for all of the machinery and buildings and the material out there and wanted to know if he was working on it. That is all brought out in the minutes there.

Then on Tuesday, August 22, with Col. Arison, Mr. Graves, and Mr. Cory again present, besides myself, we went into the thing once more. As the minutes of the entire meeting were taken and you have been furnished with a copy of them, and the pages, 185 to 216, again show the way the thing was handled and the situation as it developed. As a result of that meeting we told him—this is not all one sided, as the minutes show—that we felt that we could offer \$3,000,000 as a final settlement of this contract, again taking into account the salvage offer which he might make. He said, the

exact words are not there, "he lacked the willingness to accept \$3,000,000 in settlement of the award and went back to the promise that he would get his salvage offer in as promptly as possible, but not to get it in before 10 days." We told him that at that time we would take up the question of having the offer approved by the District Claims Board and I think it was at our meeting of August 27, the copy of the minutes which you have, we went into the thing with the full board present and discussed the whole thing with them and they approved our action.

Mr. GRAHAM. That was the Chicago District Board, you mean?

Col. HUGHES. Yes; I think you have some of the minutes over there, Mr. Graham, that I would like to borrow.

Mr. GRAHAM. Now, after the meeting of this Chicago District board, what did you next do?

Col. HUGHES. I next waited for the Standard Steel Car Co. to get their salvage offer together—to get it at that time, to buy certain machines and certain facilities, but they did not desire to buy all of the plant out there, and so while we were waiting for them to get together an offer for the whole thing, we asked the manager of our staff to take the necessary steps to prepare on the part of the Government an estimate as to what these facilities should be worth to the contractor. This he started to do, and I think about three or four days after he started to work his mother was taken seriously ill and he went home on leave and stayed longer than was expected. We could not wait and we turned the work over to Messrs. Vail and Church and we told them we wanted an expression as to what the buildings, machinery, and material purchased by the contractors were worth, and for what we should sell them, and they prepared that, went to work preparing that draft or expression. In the meantime, the Standard Steel Car Co. came in with an offer of \$800,000 for the entire lot, stock, and barrel. And we told, I do not know whether Mr. Vail's estimate had gone in ahead of that or not, but they came in practically simultaneously. Anyway, we learned that Messrs. Church and Vail, as a result of our investigation, had come to a conclusion that a certain amount was the proper amount, they determined that \$975,000 was a proper amount to sell all the equipment, etc., to the Standard Steel Car Co. Having this offer of \$800,000 from the Standard Steel Car Co., and also a letter from a scrap dealing firm in Chicago, by the name of Briggs & Turivas, we talked the thing over pro and con in the office. Everybody had their ideas. We had Mr. Palmer, who is the manager of the staff, give us an expression of the offer as to what the Briggs & Turivas offer was worth.

Mr. GRAHAM. What was his expression?

Col. HUGHES. I can not tell you that. I think you have the latter.

Mr. GRAHAM. Did you ask Mr. Palmer to give you an estimate of that?

Col. HUGHES. Yes; we always went to him when we wanted to know anything about that work.

Mr. GRAHAM. You didn't follow his advice in that particular instance, did you?

Col. HUGHES. No; if you will just let me explain the rest of this. We had Mr. Palmer's interpretation of this Briggs & Turivas letter, and his views were so—well, his views did not agree with

our interpretation of the letter. At all events I think it was Col. Arison called Briggs & Turivas up on the telephone and asked them what they really meant. They said they couldn't tell. I did not hear the conversation. That was my understanding of it though. Well, we had this offer of the Standard Steel Car Co. for \$800,000 and talked it over in the office and decided that the best thing for me to do was to go down to the Standard Steel Car Co.'s office and see Mr. Cory, who had promised to call up Mr. Hansen in Pittsburgh, or some place in the East, and tell him that we would not accept \$800,000, that we wanted \$1,000,000. Mr. Cory gave me the impression that he would recommend an increase, he did not say how much. So we waited.

I took this letter down to the Chicago office and showed them this letter in the afternoon. This letter was full of loopholes. It did not state anything aboveboard—it was just full of loopholes, and they made a lot of statements which were not, to our mind, definite. So I showed it to the Standard Steel Car Co. people; went over it with them and I could not make anything out of it. I believe that Mr. Cory said that the letter was too indefinite to act upon. He also said his company would be glad to make a corresponding offer so that the Government would benefit, I believe, if there is any way of telling that. So then I went to Mr. Frank Parker, who signed the letter for Briggs & Turivas, and I told him; I said to him, "I got a letter here we don't understand." He read it. Then he said, "Well, I don't know what it means either." That was rather startling to me. We were trying to sell something and here was a man making an offer that he did not know what he meant. I said, "You signed your letter, didn't you; don't you know what you meant when you signed the letter?" he said, "No, and furthermore I won't be able to tell till 9 or 9.30 to-morrow morning." I said, "That is a long time, and we have to have some sort of an expression of opinion as to what you are offering." He said, "I can't tell until 9 or 9.30 to-morrow morning." At that time I was out at the Standard Steel Car Co.'s plant, I wanted to go over and see the building and to get a first-class bird's-eye view of what it was like. Mr. Palmer called up on the telephone. I think he wanted to know what the offer of Briggs & Turivas meant. We had a new letter from Briggs & Turivas. I said, "Is the matter definite?" he said, "It has three paragraphs instead of one."

Mr. GRAHAM. Who said this to you?

Col. HUGHES. Mr. Palmer. I said—I don't remember all that I did say. I have been trying hard to remember what that conversation was. As a matter of fact, it wasn't very definite, because—since I had not seen the letter. That was one reason why I was not getting much out of it. I finished my inspection of the Standard Steel Car Co.'s plant and I got back to the office about 1 o'clock. It was one of those days when everybody was off, on a Saturday afternoon. Mr. Palmer was there and we got into a discussion of this Briggs & Turivas letter and we discussed it pro and con for, I guess, a half or three-quarters of an hour. Our conversation broke up with Mr. Palmer telling me, "Why did you sell that stuff—material—to the Standard Steel Car Co. at the price they have offered; they will make more out of it than you are giving them on the claim?" I said to him—he said to me, "If they buy this stuff for

\$300,000, they will sell it for over \$200,000 more than the \$2,000,000 you make out of it." I said, "There isn't no use in talking that thing any more. We have discussed it with everybody in the office and nobody believes that for a minute." And that was Saturday afternoon, and on Monday morning, Mr. Russell came down that morning and the salvage offer of the Briggs & Turivas—the salvage offer of the Standard Steel Car Co., the amount of money which the Government was spending on the plant, which Mr. Blakey, the cost accountant, estimated to be \$52,000 a month for personnel alone, and all the other questions of expense and saving were discussed, and everybody came to the conclusion that a great saving to the Government would be made if the financial offer of the Standard Steel Car Co. of \$900,000 was accepted. It had been raised \$100,000.

Mr. GRAHAM. Were you present at that conference?

Col. HUGHES. That was a conference at which, I think, Mr. Russell, Col. Arison—those were the only two men I can positively say were there, and myself.

Mr. GRAHAM. And was Mr. Vail there?

Col. HUGHES. I think he was. I am not positive, but I think he was. I think Mr. Church was there, also.

Mr. GRAHAM. Did Mr. Vail say anything about the fact that the offer should be seriously considered, that offer of Briggs & Turivas; that it was a bona fide offer?

Col. HUGHES. That I can't answer; I don't remember.

Mr. GRAHAM. After your decision about this salvage business you came to Washington, didn't you?

Col. HUGHES. Yes.

Mr. GRAHAM. How soon after?

Col. HUGHES. The date that the Standard Steel Car. Co. gave that offer was September 18, and I arrived in Washington September 23, in the morning.

Mr. GRAHAM. Did anybody come to Washington with you?

Col. HUGHES. I do not know whether Mr. Russell was on the train or not. I have a diary showing the whole thing here—yes. September 22, left 12.40, with Mr. Russell, for Washington.

Mr. GRAHAM. Anybody else; just you two?

Col. HUGHES. As I remember; yes.

Mr. GRAHAM. What was your object in coming to Washington?

Col. HUGHES. My object was this: I had been making a report ranging a settlement of the Standard Steel Car. Co. The award of \$3,000,000 was made and the Government and the Standard Steel Car Co., with the understanding according to a statement made by Col. Arison and myself, we would expect that he would not let the amount and let it go through months of roughing. So the idea was that we would get this thing settled in Washington as soon as possible. So I came to Washington on September 23, in mind of getting the people in Washington to look at this thing or disapprove it. We wanted to know if it was a fair thing.

Mr. GRAHAM. Is that the whole story?

Col. HUGHES. Not at all.

Mr. GRAHAM. Why did you feel especially impelled to do so in this?

Col. HUGHES. I can only repeat, Mr. Graham, as I said before, that expense to the Government was approximately—was between \$5,000 and \$75,000 a month.

Mr. GRAHAM. After you performed your duty and did all that you were told to do, why didn't you pass the responsibility to somebody else?

Col. HUGHES. I had been following the Standard Steel Car Co. claim ever since I went out there.

Mr. GRAHAM. Your task was done?

Col. HUGHES. No; we had agreed to expedite the settlement—no; I could not make that promise and then go back on it.

Mr. GRAHAM. In other words, you agreed with Mr. Cory and Mr. Jenks that you would do what you could to put the claim through after they agreed to it, is that what you mean?

Col. HUGHES. No; that is wrong. Col. Arison and I, as negotiating members, had made Mr. Cory an offer in settlement which he had accepted, stating that he wanted us to do all we could to expedite the approval of this claim by the people in Washington.

Mr. GRAHAM. And so you came to Washington for that purpose?

Col. HUGHES. Yes; after talking it over with Col. Arison and Mr. Russell, those were the only two that it required their approval to do it.

Mr. GRAHAM. Who did you see when you got to Washington?

Col. HUGHES. I do not know what time that 12.40 gets in. I think about 9 o'clock.

Mr. GRAHAM. I mean in the War Department?

Col. HUGHES. I am trying to figure up my day's proceedings. I don't exactly remember what I did on a certain day in the week. Here is what my diary says. Do you mind my reading it? "Arrived at 11 a. m., saw Gen. Williams. Talked with the Washington Claims Board two hours and got their formal agreement approving of what we were contemplating." I saw Gen. Williams and talked with him about the fact that the Standard Steel Car Co. claim had been settled as far as the Chicago ordnance office was concerned, and that I was on here trying to get a settlement as far as the War Department was concerned, as promptly as possible. He said, "I approve of that," and asked Col. Hoff, who was the chairman of the Ordnance Claims Board, and Gen. Williams repeated what I said and he said he would like to have Col. Hoff to take that up. I went in later in the afternoon, I think it was 4.15, and I went over the entire case with the members of the War Claims Board present and told them just what I told you. Perhaps I did not go back as far as I did with you, and they sat and listened and got the points of the thing immediately, and Col. Hoff, who was the president, said he thought it was a damn good scheme and he said he approved of it. Somebody offered a suggestion—I think it was Col. Dalton—he said it would be advisable for some one to go out and see the plant. That was more than I hoped for. So the next morning I went over to see Mr. Dorr—saw him at 8.30, and after seeing Mr. Dorr I left on the Broadway Limited at 3.30. So I saw Mr. Dorr that morning.

Mr. GRAHAM. Was anybody with you?

Col. HUGHES. Mr. Cory, the Standard Steel Car Co.'s vice president.

Mr. GRAHAM. Where did you meet him that morning?

Col. HUGHES. That morning? I was staying at the Army and Navy Building and Mr. Cory picked me up and took me over to the Munitions Building.

Mr. GRAHAM. Do you remember what your conversation with Mr. Dorr was?

Col. HUGHES. I do not remember any more than in a general way. He was in very much of a hurry. The secretary warned us that he had a date up on the hill with you people or somebody, and he had to come up in a rush, and so we did not expect to see him, but we were standing in his outside room when he came in. He wanted to know if we wanted to see him. I told him about the Standard Steel Car Co. claim. He had known about it for a long time, so I told him as simply as possible that we had arranged it and that the company had made a fair salvage offer and that we had come to Washington to get the officials here to say their say. He said he thought the time had arrived when all the claims should be settled; that it had been done before and that it should not be delayed, and he patted me on the back for having come down and for getting a settlement as quickly as possible. As I understand it, there was some discussion as to whether Mr. Cory was in the room then. Mr. Cory came in—was excused—went out again, and Dorr called Mr. Reeves and he told Col. Reeves that he wanted to get the settlement as soon as possible and that he wanted him to see certain people whose names I have forgotten and to get them to send certain representatives of theirs out to Chicago. He wanted Col. Reeves to go, and Col. Reeves said he had other plans but that he could change his plans and go out to Chicago. He spoke of Mr. Goodrich.

Mr. GRAHAM. Of St. Louis?

Col. HUGHES. Yes.

Mr. GRAHAM. And of Mr. Sofberg?

Col. HUGHES. I don't remember if he mentioned Mr. Sofberg's name or not. I took the Broadway Limited back to Chicago, with Mr. Cory aboard. Col. McFarland was also aboard.

Mr. GRAHAM. Well, let us understand, Colonel: Did Dorr, when Col. Reeves came in there, tell him that you folks had made that settlement; that in your judgment it was a good settlement; and indicating that he wanted him to go out and approve it?

Col. HUGHES. No.

Mr. GRAHAM. What did he say, in substance?

Col. HUGHES. It is so long ago that I can't go on record of what he actually said.

Mr. GRAHAM. State your memory.

Col. HUGHES. My memory was that Mr. Dorr greeted us hurriedly; he asked us into his office; we went in there. I made a general statement in regard to the fact that the district ordnance office in Chicago had made a War Department claim which they had thought was proper, and had gotten from the Standard Steel Car Co. a salvage offer which they thought was a good one; and that I had come to Washington to get the approval of the proper War Department officials. I think I also mentioned—I had consulted the ordnance board the day before. I think it was about that time that he excused Mr.

ry, and Mr. Cory went outside. It was then that Mr. Dorr said that he thought this plan of settlement was a good one, and that he didn't see any reason why it was not advisable for the men who were actually going to put their final approval on it to go out there and see the plant and see the material and machines than it would be to have these things to consider from a mass of notebooks and data, which would take considerable time.

Mr. GRAHAM. He suggested sending these men out himself?

Col. HUGHES. I think he did. It was from him; yes. It was then he sent for Col. Reeves and repeated these statements to him and told him that he thought that he ought to go out there, and it was his place, as ordnance representative of the War Claims Board; that he was not to approve these things on my statement, as I remember, but on the basis of his own statement, and that he was to go out there and see for himself.

Mr. GRAHAM. Did he indicate to Col. Reeves that he thought it was a good settlement?

Col. HUGHES. No; I don't think he did.

Mr. GRAHAM. Did he see McFarland or did you afterwards?

Col. HUGHES. I think the next thing that happened, as far as I am concerned, was that I left Mr. Dorr's office and went up to Col. Reeves's office.

Mr. GRAHAM. Before you leave that office, I want to ask you a question: Did you tell Mr. Dorr in that conversation that the committee had passed on this claim; that there had been a committee acting on it?

Col. HUGHES. If I told him that the Chicago district board had passed on it?

Mr. GRAHAM. I mean a committee such as is usually appointed to pass on these claims. Did you tell Mr. Dorr that such a committee had passed on it?

Col. HUGHES. I do not know.

Mr. GRAHAM. After you left Mr. Dorr's office, what next did you do about the matter; did you see Col. McFarland?

Col. HUGHES. I can lead right up to this whole thing. I went from Mr. Dorr's office up to Col. Reeves's office. Mr. Dorr, I think, left the office as I got there, and Mr. Reeves and I were in the secretary's office and we went up to Mr. Reeves's office. It sat there while Col. Reeves was talking with Mr. Dorr's office, and he got in touch with ordnance district board or the secretary of the chairman and made arrangements for the sending of the ordnance board out to Chicago. As I remember it, Col. Reeves talked with Col. Aimes, who said that Col. Hoff was chairman of the board and said that we would have to see him. From there we went down to Col. Sears's office to see him about it. It may come to me later on. Then I went over to the ordnance office. They were having a fire drill there and everybody was outside. I saw Col. Hoff and Mr. Graves out in front of the office and Col. Hoff had been talking with, I think, Col. Dalton, in regard to sending some men out to Chicago to act for the Washington Ordnance Claims Board, and as I remember it again, Col. Dalton said he could not go. Mr. Graves said he wanted to go and it came to the question of getting somebody else to go. So Col. Hoff and I went up to Col. McFarland's office, up on the third floor, I think, and saw Col. McFarland and Col. Hoff and told him that he, Col. McFarland, had

better go out to Chicago, and Col. McFarland said, "All right, I have some work and I have not been relieved, but I will go."

Mr. GRAHAM. Did he tell him what for?

Col. HUGHES. That I don't remember. I think he must have. Yes; I think I can say that he did tell him what for. It would only be logical to tell him.

Mr. GRAHAM. Did that end that conversation with McFarland, Col. Hughes?

Col. HUGHES. I think so. Then Col. Hoff and I went back to his office, I think.

Mr. GRAHAM. Do you remember what time of day that was.

Col. HUGHES. No.

Mr. GRAHAM. How soon after that did you leave Washington?

Col. HUGHES. I left at 3.10 in the afternoon.

Mr. GRAHAM. Got to Chicago the next morning?

Col. HUGHES. Got off at Englewood at 9 o'clock, I think, and there we met Col. Reeves and Mr. Sofberg and some men from the district office. I don't think they had anything to do with the claim. I think they came out with some cars to furnish the transportation. We bundled ourselves into the cars and set out to the Standard Steel Car Co.'s place.

Mr. GRAHAM. And you had met there with Col. Reeves, who had preceded you?

Col. HUGHES. Yes.

Mr. GRAHAM. At that particular meeting was there anything said about salvage values on this claim?

Col. HUGHES. A great deal was said. That is what they were out there talking about.

Mr. GRAHAM. Did you know at that time whether requisition had been made by any of the United States arsenals for any of the material in there?

Col. HUGHES. No.

Mr. GRAHAM. Do you know how extensive they were?

Col. HUGHES. No; as a matter of fact, I do not think anyone knew anything about that. One man got the requisition, and it would be lost; as a matter of fact, three or four days ago a requisition turned up that had been buried for two or three months.

Mr. GRAHAM. As Ordnance officer do you know the value of that material in the Standard Steel Car Co.'s plant?

Col. HUGHES. No.

Mr. GRAHAM. Do you know the value of the machines?

Col. HUGHES. I know the price paid for them; yes. That was a matter of record.

Mr. GRAHAM. Do you know for what purpose they are used?

Col. HUGHES. No.

Mr. GRAHAM. Did you know what this nickel steel plate could be used for?

Col. HUGHES. I knew no more what they could be used for than about the machines and buildings. I heard discussions of some people who ought to know what they could be used for.

Mr. GRAHAM. You had no special technical knowledge of your own about the matter?

Col. HUGHES. No.

Mr. GRAHAM. Well, I assume that as Artillery officer that you haven't gone into those particular matters.

Col. HUGHES. There is no reason why I should. An artilleryman shoots the gun, he doesn't make it.

Mr. GRAHAM. Well, I assume that at the time you had that matter under discussion you had that second letter of Briggs & Turvias in your possession?

Col. HUGHES. I had them all; yes, sir.

Mr. GRAHAM. Did you at that meeting or the next day, at Chicago, show that letter to Col. Reeves or Col. McFarland, either one of them?

Col. HUGHES. I have been asked that question before and my answer is that I don't remember. The chances are that I did not.

Mr. GRAHAM. Well, do you know why you didn't?

Col. HUGHES. Absolutely; there is no doubt in my mind why I didn't do it.

Mr. GRAHAM. Well, tell us.

Col. HUGHES. The circumstances were simply this: We had made an award after a long period of negotiation. We could not make an award simply on what we thought was right, and we arrived at that decision after much talk. Then the next job on the calendar was to get from the Standard Steel Car Co., or from somebody, a figure for the material which the Government owned out there, and to do that—Mr. Palmer, you see, had gotten this letter from Briggs & Turvias in addition to the Standard Steel Car Co.'s offer. All the circumstances relative to those letters, I have told you of. So you have in mind the feeling we had in regard to those claims. I didn't show those letters to Col. Reeves for the same reason that I did not show him the thousands of letters with which you have been furnished, or I didn't go back over millions of details which had justified us and enabled us, as members of the board, to make up our mind as to what that total should be.

Mr. GRAHAM. In other words, am I right in assuming that you thought this settlement was right and you wanted to have it confirmed. You thought that you had made up your mind on the matter and as far as you were concerned the matter was settled.

Col. HUGHES. There was no question in my mind.

Mr. GRAHAM. Why didn't you want these other gentlemen to see these letters?

Col. HUGHES. We would have shown them to them gladly if we had thought it was necessary.

Mr. GRAHAM. Didn't you think it was necessary for them to have all the light that you had?

Col. HUGHES. Well, no; for the simple reason that all the light that we had on the whole thing was contained in voluminous correspondence—many thousands of letters. We did not show all those to them.

Mr. GRAHAM. You were asking Col. Reeves and Col. McFarland to O. K. what you had done?

Col. HUGHES. No; we were asking them if what we had done was right.

Mr. GRAHAM. How could they tell whether what you had done was right unless they knew what you knew?

Col. HUGHES. Well, I see your point. You think I held out useful information?

Mr. GRAHAM. I wondered why it was unnecessary for them if they had to put their names on this—why it was unnecessary for them to know what you knew.

Col. HUGHES. Yes; but during that conference we explained to various members of the War Department Board of the Ordnance Board, what we had done and the solution to which we had arrived and said, as I say, that we had arrived at certain solutions through long periods of negotiations and I did not make any reference to them of the minutes of the meetings which were held by us. I did not consider that the two letters of Briggs & Turivas were any more important than thousands of other letters which had been written in regard to the claim.

Mr. GRAHAM. Do you know that McFarland and Reeves have said that if they had seen that letter they would not have approved that award?

Col. HUGHES. How is that?

Mr. GRAHAM. In view of that statement under oath, do you think that it was your duty as an officer of the United States to give them that information?

Col. HUGHES. I can only repeat what I said a moment ago, and I think that if I had thought that anybody would ever claim that we were withholding important information from them that we would have been only too glad to have shown them not only the two Briggs & Turivas letters but every letter in connection with the claim.

Mr. GRAHAM. What you might have done and what you did do are two different matters. What we are concerned in is what you did; what actually happened. After this thing had been done and these officers had put their names to this award, what happened with regard to the drawing of the check for this money? Do you know anything about the check being drawn? Did you have anything to do with that?

Col. HUGHES. Nothing at all.

Mr. GRAHAM. Did you believe at the time you had these officers out there, or when they were out there, did you believe that what they were signing there was a legal note and in conformity with the law?

Col. HUGHES. Absolutely; I would not have done it otherwise.

Mr. GRAHAM. Did you have anything to do with that claim after that meeting in Chicago?

Col. HUGHES. I think not; perhaps if you have some reference, I can answer.

Mr. GRAHAM. I have no reference. I am asking you in a general way if you know of anything—having anything to do with it.

Col. HUGHES. I don't remember having anything further to add.

Mr. GRAHAM. Do you know if Col. McFarland telegraphed back to the district board and asked for a confirmation of his idea that the various items of that award had been audited by the accountant? Do you know anything about the answer that Col. Arison sent back?

Col. HUGHES. I simply know this, that Saturday afternoon, after this thing had been signed, that I went to bed sick with tonsillitis and was sick until the following Thursday, and when I returned

to the office I was informed that Col. McFarland had asked for a confirmation, but I did not see the telegram.

Mr. GRAHAM. You had nothing whatever to do with the framing of that letter?

Col. HUGHES. No, sir; I did not.

Mr. GRAHAM. I don't want to shut you off, Colonel, if you wish to make any statement, but perhaps it would be better for the rest to ask you any questions that they may want.

Mr. JEFFERIS. What experience had you here in Washington in settling claims?

Col. HUGHES. That answer is in the record to the effect that when I volunteered my services to the Ordnance Department in May, I think, of 1918, I was given a job settling claims for the Chilean gun. It was May of 1919.

Mr. JEFFERIS. Was that a large contract?

Col. HUGHES. I have forgotten. I imagine for 12-inch guns it did not amount to very much.

Mr. JEFFERIS. For the Chilean Government?

Col. HUGHES. Yes.

Mr. JEFFERIS. Is that the only claim with which you had anything to do in settlement before you went to Chicago?

Col. HUGHES. No; it wasn't the only claim I had anything to do with, because my opinion had been asked in regard to several other claims which were under negotiation in the Ordnance Office. I didn't have anything to do with them except to cite my previous experience in regard to those matters. They were claims for materials orders for which had been placed in my office.

Mr. JEFFERIS. What is the first knowledge as to whether there was any general understanding in the Ordnance Claims Boards as to what percentage it was customary to allow for increased facilities in selling to contractors? Have you any general claims in the different boards as to the fair settlement for increased facilities, sold and purchased by the contractors which they desire to buy?

Col. HUGHES. I don't think there was any stated percentage.

Mr. JEFFERIS. Was that ever discussed around among the head men of the War Department claims board as to what was considered a fair settlement?

Col. HUGHES. Possibly so, but I have had very few dealings with War Department heads.

Mr. JEFFERIS. Or the war claims board?

Col. HUGHES. Or the war claims board, too.

Mr. JEFFERIS. Well, was there any percentage or any theory of letting the contractors retain the increased facilities, buildings, etc., at a certain percentage of the cost of construction?

Col. HUGHES. As I understand it the percentage was the cost of the facilities to be paid by the contractor in settlement of his claim when he desired to take these facilities over, dependent on the circumstances, the kind of facilities they were, and the location, and I have been given to understand that the percentage ran all the way from 25 to 50 per cent, and sometimes even higher than that. If a plant had been put up for a special purpose and a contractor was to continue in that work after the armistice he paid in that case a very much higher percentage than he would for a place put up for a type of work which was no longer to be manufactured.

Mr. JEFFERIS. From who did you get that understanding?

Col. HUGHES. That was an understanding that I had gathered from listening to the discussions of these settlements while sitting as a member of the Chicago War Claims Board.

Mr. JEFFERIS. Did you also gather that in Washington here before you went to Chicago?

Col. HUGHES. No; my experience in settlements of claims was very limited.

Mr. JEFFERIS. I understand it was very limited, but I wanted to gather what ideas you got saturated with out there or from the War Department. This committee finds that it seemed to be prevalent that during the turning back of these facilities to the contractors this has been done for little or nothing. I want to know if that idea was prevalent and used by others of the War Department?

Col. HUGHES. No; I think that if you have been informed to that effect that your information is incorrect, because, speaking from my own limited knowledge of conditions, I have never gathered that the War Department or any other Government agency was inspired with the idea that they should turn these facilities back to the contractors for a very small amount. In other words, if they had on their hands certain facilities, it was up to them to get something for them.

Mr. JEFFERIS. You were not authorized to sell them to anybody else other than the contractor by the claims board of Chicago? The War Claims Board did not authorize you to sell them?

Col. HUGHES. There was a regular routine by which they could be sold to other persons—other than the contractor.

Mr. JEFFERIS. The correspondence shows you did not sell to anybody but the contractor.

Col. HUGHES. That is a fact.

Mr. JEFFERIS. So that, as a matter of fact, when a person contracts or undertakes to settle a contract or claim with a contractor, you have no chance to really sell it to anybody else other than him?

Col. HUGHES. Yes; we have a chance.

Mr. JEFFERIS. You turn the facilities and machinery or facilities over to the salvage board. The salvage board would look after that then.

Col. HUGHES. It so happens that the district claims board is also the operating head of the salvage board. It is a different organization—different personnel.

Mr. JEFFERIS. It would be handled by a different body, wouldn't it?

Col. HUGHES. Yes; practically.

Mr. JEFFERIS. Now, you were assigned this claim for settlement, as I understand it, with the Standard Steel Car Co. You had two alternatives—either to settle it and sell it to the Standard Steel Car Co., or else turn it back to the salvage board. Is that it?

Col. HUGHES. That's right.

Mr. JEFFERIS. Now, what is the disposition here of the war claims board? Isn't it to get the contractor to take these facilities? Isn't that the disposition to retain it at some price, if possible?

Col. HUGHES. Do you mean to the disadvantage of the Government?

Mr. JEFFERIS. I don't know whether it is disadvantage or not, but isn't that their general understanding?

Col. HUGHES. No; the purpose of disposing of all of these is to dispose of them to the advantage of the Government. As to the sale of them through the salvage board, and make more money. We ordinarily sell through them.

Mr. JEFFERIS. Did you consult the salvage board?

Col. HUGHES. Yes; we have a letter in the files signed by the chairman of the District salvage board, giving his approval to this claim.

Mr. JEFFERIS. Who is that?

Col. HUGHES. Col. E. F. Norton.

Mr. JEFFERIS. Did he make any investigation?

Col. HUGHES. I imagine he did. I don't think a man would sign a letter without giving it an investigation. I do not know what investigation he made.

Mr. JEFFERIS. Well, now, I will go back a little. You were over in France and Col. Jenks sent for you to come back here and go on the claims board?

Col. HUGHES. I do not know who sent for me, but I got a telegram. It was received over there, telling the chief ordnance officer over there that I was wanted back in this country for the purpose of settling claims.

Mr. JEFFERIS. Who sent you that telegram?

Col. HUGHES. Chief of the ordnance. All telegrams come through the chief of ordnance.

Mr. JEFFERIS. I thought you mentioned Col. Jenks.

Col. HUGHES. Yes, but I stated it was officially from the chief of ordnance.

Mr. JEFFERIS. In what connection did you mention Col. Jenks?

Col. HUGHES. As the possible originator of this cablegram.

Mr. JEFFERIS. Now, there is a Jenks connected with the Standard Steel Car Co.; is he related to this Jenks?

Col. HUGHES. Not that I know of; I think that was discussed in your previous hearing, with Mr. Russell. I think Mr. Russell stated that he was not.

Mr. JEFFERIS. Do you know whether he is or not?

Col. HUGHES. I do not know.

Mr. JEFFERIS. Did you ask to be assigned to Chicago?

Col. HUGHES. Yes.

Mr. JEFFERIS. How did you happen to do that?

Col. HUGHES. When I was assigned to Field Service I was told that I could have my choice of any station. I was told that I could go to San Francisco; that I could go to Atlanta; I could go to the Pacific coast; that I could go to the Panama Canal Zone; that I could go to Hawaii.

Mr. JEFFERIS. Or Chicago.

Col. HUGHES. Or Chicago; yes.

Mr. JEFFERIS. And you selected Chicago?

Col. HUGHES. Selected Chicago; yes.

Mr. JEFFERIS. After you had been out there for a time, as I understand it, Mr. Russell and Col. Arison turned over this Standard Steel Car Co. claim, did they?

Col. HUGHES. Yes.

Mr. JEFFERIS. At that time the Government was maintaining the Standard Steel Car Co.'s cost-accounting section, was it not?

Col. HUGHES. Yes; they had accountants out there. They had cost accountants out there on duty ever since the contract was placed for the purpose of auditing all Government expenditures.

Mr. JEFFERIS. What did you do with that cost-accounting service after you took charge of this case?

Col. HUGHES. I didn't do anything.

Mr. JEFFERIS. Did you consult them?

Col. HUGHES. Yes; they were consulted all through the negotiations. All my negotiations with the accountants of the plant were taken up through Mr. Miller in the Chicago office.

Mr. JEFFERIS. When did you first take it up with Mr. Miller?

Col. HUGHES. I think that the first time I took up the question of getting an account from Mr. Miller was the day—or the day after the final award as drafted at our office, had been devised or formulated. I took the claim—I think you have sheets there, where I have the sheets drawn up showing the original claim, and showing the original claim on the right—I know you have it if you have Mr. Blakey's letter here.

Mr. JEFFERIS. That was a few days before this settlement was made?

Col. HUGHES. I can't tell you the exact date.

Mr. JEFFERIS. Did you go into the question to see what items of the claim had been audited, or not, by the Government accountants?

Col. HUGHES. The items of the claim?

Mr. JEFFERIS. Yes.

Col. HUGHES. You see, the claim was divided up into 10 different schedules and some of which during the period of negotiations—and you must understand at all times that this was a negotiated settlement. Negotiations ran from a range of \$2,429,000 on our part and approximately \$4,200,000, we will say of the Standard Steel Car Co., as supported from their original claim of \$6,733,000, the value of settlement and other costs which would be vouchered through in the ordinary course of events—\$2,750,000 on our part and \$3,600,000 on the part of the Standard Steel Car Co., and \$3,000,000 on our part and \$3,100,000 on the part of the Standard Steel Car Co.

Mr. JEFFERIS. Did you then negotiate the settlement? How was it you negotiated the settlement?

Col. HUGHES. What other kind of a settlement are you thinking of?

Mr. JEFFERIS. You certainly took—and availed yourself of the information these cost accountant men had?

Col. HUGHES. Yes, indeed. I think the knowledge of the cost accountants down there was made use of. I know it was. All during the period of the negotiations we used it.

Mr. JEFFERIS. In what way?

Col. HUGHES. For instance, statements were issued by the accountant. Mr. Blakey, who was the accountant in charge, in many instances prepared statements for Col. Arison who got information; information was also secured through Mr. Miller, acting supervisor, and I know that various statements were furnished by Mr. Blakey and used during the period of the claim settlement.

Mr. JEFFERIS. But what I am getting at is, why this negotiated plan of settlement, when the Government had maintained, and could

have ascertained in a very short while, the exact conditions of that account. Why was it necessary to negotiate the settlement rather than follow the figures of the Government?

Col. HUGHES. Because the original claim set up certain items in schedule 1, of which you are perhaps very familiar. There is presented a claim—an item for \$1,000,000 due to delay, and no receipt from drawings or specifications.

Mr. JEFFERIS. Did you allow that?

Col. HUGHES. No, we didn't allow it, in its entirety.

Mr. JEFFERIS. Did you allow any of that?

Col. HUGHES. At that we allowed an item of \$99,000 and another item of \$261,000.

Mr. JEFFERIS. Not under that head, that you allowed it?

Col. HUGHES. We always considered it as coming under the head of schedule 1.

Mr. JEFFERIS. As I remember it that was allowed to some other head—they charged it to some other head.

Col. HUGHES. Yes; you see when the original claim was set up, they had 10 schedules. The first schedule—10 schedules \$10,633,000. The first item was \$1,000,000 for delay, schedule 2 was an item of \$2,000,000; schedule 3 was an item of \$890,908 for special services rendered there.

Mr. JEFFERIS. I knew that they had a big claim of that kind up to a total of \$7,000,000. Now, then, they changed their claim later on and cut it down considerably, didn't they?

Col. HUGHES. Yes; I think that can be shown by the reduction that I have shown from \$4,200,000 down to \$300,000.

Mr. JEFFERIS. Now, what investigation did you make into this charge of \$121,585.57? [Indicating.]

Col. HUGHES. We have a statement from the cost accountant of the plant that that charge was correct and that it had been audited all along as the work was done, but I think the cost accountant at the plant—I do not know whether he did it on his own authority, or did it by instructions from some one else—he held up that amount after it had been audited. That was an audited amount.

Mr. JEFFERIS. By whom?

Col. HUGHES. By the accountants. The Government accountants at the plant.

Mr. JEFFERIS. They contend that claim has been originally about \$200,000 for the Standard Electrical Co., and they refused to pay a large part of it as an unjust charge.

Col. HUGHES. Who refused?

Mr. JEFFERIS. The Government.

Col. HUGHES. Mr. Russell would not let it go through.

Mr. JEFFERIS. Why should it not be here and be allowed as a part of the claim?

Col. HUGHES. If I can refer to the correspondence I can tell you, of course, why it was allowed. I can show you memoranda that I wrote to Mr. Russell and it was finally allowed for the following reasons: Have you read these minutes, Mr. Jefferis, because they are very important, showing methods that we adopted in arriving at these amounts are very clearly shown. Regardless of that—the reason that that payment was allowed by the dis-

strict claims board is Chicago was this: There are several reasons. This contract was one which had been placed during the hustle and bustle of war time, when everybody was clamoring for artillery. Time was the only thing we did not have enough of. It was absolutely important from the Government standpoint that 240 mm. howitzer carriages be manufactured and manufactured promptly. We had certain Government officials out at the plant, authorized and instructed to approve subcontract when it became necessary to incorporate these facilities into certain electrical work, and a contract was made by the Standard Steel Car Co. with the Standard Electrical Co. for this work.

Now, as to the difficulties that arose and as to the bribery and silver chest and the automobile and all those things, you know about those things as much as I do; it is hearsay as I recall it. In other words, there arose a contract for work which was necessary and it was drawn up hurriedly and it was approved at the plant by the proper Government officials. Each stamped his O. K. on the thing and turned it loose. In the course of events certain changes arose, and as a result of that, the work was stopped and the Government refused to reimburse the Standard Steel Car Co. for money which they had paid to the Standard Electrical Co. Now, we felt this thing was paid by the Standard Steel Car Co., was right, and my belief was that it was justly incurred, and this was at the time the contract prepared during the hurry and the war came up. And in the cold light of day, after the armistice was signed, and after a proper Government official had approved this Standard Electrical contract claim—I could not say that he had done what he should not have done.

Mr. JEFFERIS. Did anyone approve the amount?

Col. HUGHES. Approved the contract.

Mr. JEFFERIS. But, I mean as to the amount under the contract?

Col. HUGHES. The amount was purely incidental to the contract. The contract was approved and a charge was permitted under that contract. It was paid due to the fact that we had had all this scandal and notoriety. I have seen many clippings in regard to the thing. I really think that nobody wanted to be identified with paying it.

Mr. JEFFERIS. Why?

Col. HUGHES. Good Lord! the whole combination of circumstances, the newspapers, the statements, the Military Intelligence had been into this thing, and they questioned everybody, and, as I understand it, the Military Intelligence had taken this thing as far as the district attorney, who reported that the circumstances were such that they had no case, and I think at that time that the thing should have been paid for, but it was not paid. I do not know the reason why it was not paid, but it was not. Then it came to paying this item of \$121,000 for this work—

Mr. JEFFERIS. Well, you say that Mr. Russell, Mr. Arison and you agreed to pay it?

Col. HUGHES. Absolutely. It was passed unanimously by the Claims Board. Mr. Russell did not happen to be present when the matter was presented and passed. Mr. Marshall was present and all the other members of the board, and the thing was thoroughly discussed and was passed unanimously.

Mr. JEFFERIS. When this claim—when was this final award made. Was that up to December 26, the day it bears date?

Col. HUGHES. I did not get your question.

Mr. JEFFERIS. The District Claims Board awarded this claim, which is in our record and bears date of September 26, that is the same date as the award—that was the date that this award was made out with the Standard Steel Car Co. Had you found a claim with that item in it just before that?

Col. HUGHES. What item?

Mr. JEFFERIS. The item of \$121,000.

Col. HUGHES. Yes, that item was in. I wrote the original claim here. [Indicating.]

Mr. JEFFERIS. Well, now, the Cost Accounting Section really claimed that that was not a proper claim, Col. Hughes; what do you know about that?

Col. HUGHES. I do not know what they claimed to you people.

Mr. JEFFERIS. What did they claim to you?

Col. HUGHES. The cost accountants were never consulted, as far as the advisability of allowing that claim. They were simply consulted as to whether or not that amount had been paid by the United States Government.

Mr. JEFFERIS. And you found that it had been paid by the Standard Steel Car Co.?

Col. HUGHES. Not only found it, but knew it. I had the cost accountant's word for that.

Mr. JEFFERIS. Now, this item of \$99,000 for period of nonproduction—now, what investigation did you make of that before it was allowed?

Col. HUGHES. That carrying charge was a question of—may I go back just a minute and give you the line we followed in this matter? The original claim of the Standard Steel Car Co. was divided into 10 schedules—\$1,000,000 under one, and so on, as I said a moment ago. When we got into negotiations with Mr. Cory I told him that we could not allow \$1,000,000 under a claim for delay. Just simply said, "We can't allow \$1,000,000." Then the question was discussed whether there was not some way under which they could be recompensed for delay. I know, and you know, and anybody else familiar with the contract and familiar with the manufacture of 240-millimeter howitzer carriages knows, that there was delay. I would like to read to you a letter from the Watertown Arsenal, dated October 8, 1918, which is as follows [reading]:

WATERTOWN ARSENAL.

Watertown, Mass., October 8, 1918.

Mr. W. G. CORY,

Standard Steel Car Co., Washington, D. C.

MY DEAR MR. CORY: 1. Complying with promise to furnish you with a copy of the minutes of the conference held at this arsenal September 17, 1918, and answers to the questions prepared, there is inclosed report in question together with copy of letter received from Brig. Gen. C. B. Wheeler, Chief Ordnance Officer, American Expeditionary Forces, together with copy of memorandum from Mr. F. H. Blanding and one from Mr. R. Hammerstrom. You are informed that changes are now being incorporated in the drawings, and these will be completed in a few days.

2. In conference of this kind generally the high spots are touched, and when matters are sifted through in detail a great many points are discovered which require further investigation; and, as conference after conference have been held at this arsenal, taking up the time of a number of officials, and afterwards accumulating a great deal of revisions, this has taken a little longer than was expected, but it is hoped that with the information you gained at

the time of the conference, and the report herein, and the drawings to follow. It will tend toward a better 240-millimeter howitzer carriage, a beautiful weapon, which when placed on the soil of the enemy will blow the damn Huns into hell.

Yours, sincerely,

F. BRAUER,
Chief Draftsman.

Mr. JEFFERIS. This is put in here as current charges for nonproduction. Was not the Government paying that?

Col. HUGHES. They were paying 6 per cent depreciation on the claim.

Mr. JEFFERIS. On the total valuation of that plant, which, I think, Mr. Blakey's statement gives as seven million and some thousand dollars. Then what is this \$99,000?

Col. HUGHES. That \$99,000 is an item which, we were informed by Mr. Graves when he came out from Washington on a visit to the district office—he informed us that he had advance information that it was to be allowed by the War Department Claims Board as a method of reimbursing the contractor for a plant which he owned and which was inoperative pursuant to this contract, which he couldn't use for other business or for commercial business.

Mr. JEFFERIS. And you think Mr. Graves is responsible for that item of \$99,000?

Col. HUGHES. I am not saying that Mr. Graves is responsible. I am saying that Mr. Graves told us that he thought an allowance of that kind was permitted under the War Department ruling.

Mr. JEFFERIS. Who did he tell that?

Col. HUGHES. He told that to Col. Arison and myself.

Mr. JEFFERIS. Was that the reason that you allowed it?

Col. HUGHES. To come in the amount as an item?

Mr. JEFFERIS. Yes.

Col. HUGHES. No; the amount of \$99,000 was arrived at this way: That was figured—we first figured the value of the plant. The minutes of those meetings show that we thoroughly discussed that matter.

Mr. JEFFERIS. Take your next item, "Unabsorbed administrative expense, \$261,251."

Col. HUGHES. We got at that after a long period of negotiation. You will find that on page 62 of these minutes.

Mr. JEFFERIS. Did you have that audited by the accountants of the War Department?

Col. HUGHES. We had a figure from Mr. Blakey to the effect that he went to Pittsburgh, and as a result of those negotiations with the Standard Steel Car Co. officials down there he arrived at the amount, I think, of \$670,000, which was the proper charge for administrative overhead on the Government basis for the Standard Steel Car contract. In arriving at the amount of \$3,000,000 we took into consideration the fact that the Standard Steel Car Co. had approximately \$84,000,000 in contracts. I think that overhead charge they had given, an annual overhead of \$800,000 a year, and they added 50 per cent of that to the amount, and we paid them on the basis that their place was worth \$42,000,000. That overhead was paid and passed by the accountant during the years of 1917 and 1919, but during the period of 1918, due to the fact that the company was delayed, as we have every evidence in the world to believe that they

were delayed, the direct labor at the Hammond plant was not sufficiently remunerative or not sufficiently large to carry the proper proportion of the administrative overhead. Do I make myself clear as to that?

Mr. JEFFERIS. No. According to Mr. Blakey and the other accountants, they said that the overhead to be charged to this contract was about \$109,000, and which had been paid, according to the cost accounting section.

Mr. GRAHAM. They said that \$109,000 had been paid and accepted by the company.

Col. HUGHES. Did you say, Mr. Graham, that \$109,000 had been paid?

Mr. GRAHAM. Exactly, and agreed—and they took a voucher for it, and other accountants corroborated Mr. Blakey. There were three of them, Mr. Miller and Mr. May and another man.

Col. HUGHES. I remember the testimony, but I don't remember whether that remark was made.

Mr. JEFFERIS. Who furnished the figures for that \$261,000?

Col. HUGHES. Mr. Blakey—L. J. Blakey, the cost accountant at the Standard Steel Car Co. plant.

Mr. JEFFERIS. Did he make up this award or have anything to do with making it up—in award?

Col. HUGHES. Yes; as much as it was possible to do, because continuous reference was made to Mr. Blakey with regard to the figures used in arriving at the settlement.

Mr. JEFFERIS. Had it all been audited, as you understand, or how did he get at those figures?

Col. HUGHES. Well, we used as the basis of figures, the proper overhead which was 6 per cent. That was all over the country as I remember it. Here is what Mr. Blakey said:

\$261,251.45. I went to Butler, Pa., and audited their administrative expenses which covers their Butler office and their Pittsburgh office, and after settling up here their entire administrative expenses from November 17, to June, 1919, inclusive, and the amount that was applicable to all Government contracts, whether it was at the Hammond or whether it was at the other plants, the total of \$670,869.16. After arriving at that amount which was agreed to by their treasurer, Mr. Gillespie, we began to prorate to the four plants. They have two plants at Hammond; they have one plant at Butler and one plant at Newcastle, and we prorated that \$600,000 to those four plants on an equitable basis.

Mr. JEFFERIS (reading):

In other words if you take this \$656,000 and add it to the \$800,000 that had been paid, it gives them \$1,456,000. Now, based on the total cost for the work in process and the carriages completed, they should have \$1,050,000. He says that is an item that would require approximately 90 days to audit. And in order to audit that correctly the contractor would have to be forced to furnish records which, at the present time, they are holding back. They will not give the Government accountants those records, and they are doing that in order to get that amount, while we have from our own records that we have built up since I have been here—my contention is that figure should not be over \$250,000, and that is very conservative.

Mr. GRAHAM. According to the business done?

Col. HUGHES. No, sir; according to the productive labor, that is the method used by all accountants and agreed to by them, and in doing that the Government absorbs the figures that are mentioned here—\$109,000 of the \$670,000—and the treasurer of the company

complimented me and thought I was very liberal, and said that it was a very liberal settlement, and that "he could not have asked for any more," and we vouchered and paid to them \$109,000, which was all that they claimed.

Mr. GRAHAM. And that had been paid?

Col. HUGHES. That had been paid.

Mr. GRAHAM. As a part of the costs?

Col. HUGHES. As a part of the costs. Then, they come along with this claim for administrative expenses.

Mr. GRAHAM. Did you really consult these cost accountants at any time, or did you just proceed to negotiate a settlement and pay no attention to these cost-account people?

Col. HUGHES. In answer to that question I can say for this board that Col. Arison repeatedly called in the cost accountant for information regarding the audit. We had a continuous audit for quite a while for information in regard to costs of all descriptions, all kinds of work, and whenever a question came up on which the cost accountant could give us information, they were always consulted.

Mr. GRAHAM. This letter which appears here in our record on page 3780 of this typewritten record—did you write that letter [indicating]?

Col. HUGHES. I believe I did.

Mr. GRAHAM. What was your reason at that time in writing a letter which appears to be written to the Department of Intelligence, Chicago, as though you did not care to have any more facts in regard to these matters, and as early as July, 1919?

Col. HUGHES. The explanation is very simple and clear; I have forgotten the exact reason why a conference was called in Mr. Russell's office one morning, at which Mr. Hanson, a civilian, member of the military intelligence office in Chicago, was called. I believe, however, that the conference was called because of the fact that in leading articles in the Chicago Tribune reference was made to these so-called—not so-called, but remarks were made in reference to the silver chest and automobile, etc, and the fact that an officer had traded an automobile to the Standard Steel Car Co. for far more than it was worth. The question was revived and Mr. Hanson came over to the office and talked about the thing. We talked it over for a long time, and finally it was decided that the thing had been discussed before—during the previous discussion it had been decided that nothing could be done; that the affair was settled; and that we didn't see why these Chicago Tribune articles should now disturb us and make us take any action that we had not taken before. Mr. Hammond said he wanted to get this case cleaned up, and the best way of doing it was to have a letter from my office to the effect that we did not think it necessary to go into this thing any further and make any additional investigation. And he said, "If you will write me such a letter as that and send it over to the office I will put it on top of my files and that will end it." Mr. Russell said, "Will you write that letter?" I wrote it, Mr. Russell signed it, and we sent it over.

Mr. GRAHAM. You really wrote it at the direction of Mr. Russell?

Col. HUGHES. Yes; I wrote it at his request.

Mr. GRAHAM. What are the facts, Colonel, did you have anything to do with the Standard Steel Car Co. in fixing the amount of the

stuff that they should have, in the inception of this thing, for the making of these gun carriages?

Col. HUGHES. Not at the inception.

Mr. GRAHAM. Some time after the procurement order had been written?

Col. HUGHES. I think it was in August, 1918.

Mr. GRAHAM. Did you ever have any controversy over that?

Col. HUGHES. Yes.

Mr. GRAHAM. In what way?

Col. HUGHES. These things are all so simple when you know both sides. I was at the head of the artillery section of the procurement division and it was my duty to buy artillery. We had been told repeatedly by the production division that the 240-mm. howitzer carriages manufactured by the Standard Steel Car Co. were not coming through as rapidly as was desirable; that they needed the carriages and they said that there was no reason why there should be these delays, because no fixed profit had been decided upon.

Mr. GRAHAM. Who said this?

Col. HUGHES. Somebody in the production division, whose duty it was to follow this thing up. I think, as a matter of fact, the information came from Maj. Schungan, and I said, "We will do the best we can to get this thing through" and the original contract, after reading it—it stated that the work was to be done on a cost-plus basis, no fixed profits, and that the first purchase price of a carriage would be determined upon by a representative of the organization and a representative of the Standard Steel Car Co. While we wanted to do all on our part to get a settlement—we wanted to get an estimate of the cost of this carriage. We wanted to have the Standard Steel Car Co. officers come in with an estimated cost of the carriage and we wanted to have some decision as to what they were going to get for the carriages. I wish I had my diary here that I kept during the war, I could give you the whole thing. One morning in August Mr. Vail and Mr. Church, from Chicago, Mr. Schungan, Maj. Bacon from the production division, Mr. Hansen and Mr. Corv, respectively the president and vice president of the Standard Steel Car Co., came into the office together for the first time to fix the prices on the gun carriages. The Standard Steel Car Co. had their estimate that each carriage would cost \$53,000, the Ordnance Department representative had estimated \$35,000, and we discussed the thing all morning, and our conclusion was that we would estimate the cost to be \$40,000 and pay them under the contract, 10 per cent of that, or \$4,000, and thereby determine the fixed profit of \$4,000 per gun carriage.

Mr. GRAHAM. Well, now, did Mr. Vail and Mr. Church say that they thought \$4,000 was too high, at that time; or did they not?

Col. HUGHES. They probably did. They made an estimate of \$35,000.

Mr. GRAHAM. Well, who made the decision?

Col. HUGHES. I did.

Mr. GRAHAM. You had the decision, so you made it \$4,000 between these two amounts; is that it?

Col. HUGHES. That is it.

Mr. GRAHAM. You say Mr. Hansen was there at that time?

Col. HUGHES. Yes.

Mr. GRAHAM. Was he at that time also up here on one of the boards?

Col. HUGHES. I do not know whether he was then or not. He came in my office as the president of the Standard Steel Car Co. and not as a War Department officer.

Mr. GRAHAM. Do you know whether or not he was a War Department official at that time?

Col. HUGHES. As I said, I do not know whether he was at that time.

Mr. GRAHAM. Was Mr. Cory a War Department official at that time?

Col. HUGHES. Not that I know of.

Mr. GRAHAM. Had you ever met Mr. Hansen before?

Col. HUGHES. Yes.

Mr. GRAHAM. How long had you known him?

Col. HUGHES. I had met him in the office during November of 1917, when the Ordnance Department was trying to place this contract with him. They called him and asked him to take this contract and he said he couldn't do it, reading a letter to that effect. He wrote a letter again and some one forced him to take the contract and it was during those times, going in and out of the office, that I met him.

Mr. GRAHAM. How did you arrive at the figures in these items, \$656,394?

Col. HUGHES. I did not personally. The figures were arrived at as shown in the minutes of the meeting of August 21 and 23. On pages 15, 17, pages 112 and 119, and pages 155 to 160. In brief, the method that was adopted was simply this: We got from the cost accountants a statement as to what it would cost for all the material, etc., for the 964 carriages. Having that amount, we knew that if we could subtract from that the cost of the 200 carriages which had been completed we could get the cost of the balance under the contract. Mr. Cory, in using that, during those negotiations, wanted to use the figure of \$22,000, and we said that if he used the \$22,000 that would not take out of the total the amount of money that had been taken out and that would be paying him 10 per cent on a larger amount than we should be paying him. He said \$22,000 would be the proper amount.

We had various statements from Blakey and the other accountants as to the cost of these gun carriages, and I think it was from their files that we had a cost of \$26,000. I am trying to think of the amount; anyway, whatever the amount was we split the difference, and we deducted from that 200 times the cost for what had been completed and paid 10 per cent on the remainder.

Mr. GRAHAM. Do you know that the Standard Steel Car Co. were refusing to give their books to these cost accountants so that they could figure the costs?

Col. HUGHES. No; I don't remember that. I do not know it now. That is the first time I ever knew it. You are perhaps referring to the request that the cost accountants made to the Standard Steel Car Co. for production records.

Mr. GRAHAM. Here is Mr. Blakey's testimony on that:

In other words, if you take this \$656,000 and add it to the \$800,000 that had been paid, it gives them \$1,456,000. Now, based on the total cost for the work in process and the carriages completed, they should have \$1,050,000. He says

at is an item that would require approximately 90 days to audit, and in order audit that correctly the contractor would have to be forced to furnish records which, at the present time, they are holding back. They will not give the government accountants those records, and they are doing that in order to get that amount, while we have from our own records that we have built up since have been here—my contention is that figure should not be over \$250,000, and that is very conservative.

Col. HUGHES. The total costs were given us by Mr. Blakey, and I think I am also safe in saying that the figures which we used and the cost per carriage were either furnished direct by Mr. Blakey or indirectly through—the figures which they had that amount to \$26,000. Anyway, in the final set-up of the thing we could not get together, and so we split the difference and called it that. We could not get together. There was no actual way of determining the cost of the carriages. We had any number of letters from the cost accountants saying that they wanted to be relieved from determining the cost of the carriages. I think, as a matter of fact, that when I came down to Washington, that I brought a letter from Blakey, through Mr. Miller, cost accountant, asking that steps be taken to relieve them from finally determining or trying to determine the cost per carriage. He said it was something that could not be done; that it would have to be an engineering estimate.

Mr. GRAHAM. How do you figure on the salvage value of all that immense amount of machinery out there in the factory?

Col. HUGHES. That was a long process. It took a long time to do that. In regard to the buildings, let us discuss that first. The buildings alone. When Mr. Cory came in with the preliminary bill as to what he would be able to pay for the buildings, he had figures, I think, showing that the cost was about \$700,000, and we showed him a blue print that had been drawn at Hammond showing the details, that the cost of all these buildings and facilities was \$1,099,000. He suggested then that we take the figures of \$1,000,000 approximately. Our idea was to take all these figures together which was the actual cost, and Col. Arison made an original estimate as to what he thought these buildings were worth to the Standard Steel Car Co. Mr. Palmer, the manager of our staff, made independent estimate as to what he thought these buildings were worth to the Standard Steel Car Co., and those two estimates were phenomenally close. They were so close and they were gotten up absolutely independent of each other—they were so close that it was remarkable that two men could look at a thing like that and agree so well.

Mr. GRAHAM. Well, they retained the buildings, as I understand it, at what figure?

Col. HUGHES. I don't think any particular division can be made. The letters are there in the files. You have had my files so long I have forgotten those things. If [indicating] the letter from the Standard Steel Car Co. dated September 17, for buildings, etc., cost \$1,017,400, that differs from the figures shown on the chart by about \$72,000. They offered \$261,250.

Mr. GRAHAM. Now, were they allowed to take the buildings at that cost?

Col. HUGHES. They wrote this letter offering a total salvage value of \$200,000.

Mr. GRAHAM. What would that be for—what does that include?

Col. HUGHES. Buildings, furniture, machines wanted—the machines that they really could use—cranes and motors and machines which they had already purchased and which they had released and which had been shipped to the Butler plant. That also includes machines which went out to Watertown to the arsenal; that also included material.

Mr. GRAHAM. Raw material?

Col. HUGHES. Yes, sir; raw materials.

Mr. GRAHAM. How much did the materials cost?

Col. HUGHES. I think the approximate figures given by Mr. Palmer and Mr. Blakey in their report in determining this salvage offer were approximately \$5,000,000 before the material—those materials which had been shipped out to Watertown. The value of those materials had been taken out.

Mr. GRAHAM. Was that \$7,000,000?

Col. HUGHES. I think it was \$5,000,000.

Mr. GRAHAM. How much was shipped to Watertown?

Col. HUGHES. Fifty-three carloads had been shipped to Watertown.

Mr. GRAHAM. Anything of value?

Col. HUGHES. I was given to understand by Mr. Vail that it was approximately \$1,000,000. Most of it that went down there was completely processed parts. Very few raw materials were shipped. All the parts were to be shipped to the proving grounds for spare or replacement parts.

Mr. GRAHAM. Well, as for these buildings costing over \$1,000,000, they were offered \$251,000.

Col. HUGHES. Yes; that is the offer made in their letter.

Mr. GRAHAM. Was that accepted?

Col. HUGHES. This offer was not accepted, because it was for \$800,000 and the final offer was \$900,000.

Mr. GRAHAM. Mr. Garrett, do you wish to ask any questions?

Mr. GARRETT. Yes, sir.

Colonel, I, of course, want to be perfectly frank with you. In the questions I am speaking only for myself. I have certain impressions about this matter formed wholly from the testimony which has been given. Those impressions are subject to change under any other testimony that may be given and weighed under the ordinary rules for the weighing of testimony. I don't want to do you any injustice in the world, nor any other man, if I know it. And so I am approaching this matter in an entirely different way than I have with any other witness that has appeared before this committee. I will state frankly to you the impressions that I have, so that you can see the workings of my mind and that I can understand the working of your mind about this matter. I have formed a somewhat unfavorable impression about the withholding from Col. Reeves and Col. McFarland of knowledge of this salvage offer of Briggs & Turivas.

Have you said all to me you care to say about that in answer to the questions?

Col. HUGHES. Not all that I care to say, if there is a doubt in your mind that I withheld those papers willfully and with an attempt to deceive anybody. That was far from my mind. Everything that I have done was open and aboveboard, and I can say now that any attempt to proceed along lines which have not been followed in matters of this kind, that I have laid myself open to a great deal of

ticism. I could not justify all these things, but I can follow the end of thought of men who have investigated this thing and gotten impressions from the cost accountant and other men who were familiar with all the thoughts we had in mind; and I can see how anybody can be led to believe through the circumstantial evidence offered that I willfully misrepresented, first, to my own claims boards, because I started with them. If the train of thought as followed through and I convinced them against their will about things which they knew more about than me and that I then came to Washington, and the chain of evidence, if the evidence that has come before is complete, but was withheld, as I said before, in this matter, when I went to Washington, the district claims board had acted on the award and they had acted on the salvage offer and the two letters from Briggs & Turivas I had discussed openly and with everybody concerned. I am positive that the chairman of the salvage board had seen these letters and that Mr. Palmer had seen the letters and that Mr. Arison had seen the letters. We discussed in detail and our minds were made up as to what was the best thing to do then. But when these men came out to Chicago, the letters, as I now recall, were not shown to them. They were not shown to them for the reason that we not only did not give it a moment's thought that it was necessary to show them any more than I thought it necessary to go back and get the original claim and all the correspondence and all the matter which had enabled us to make up our minds. As a matter of fact, the only thing that I can say about it now is, that the question has been raised that these letters were concealed and it is like lots of other things that have been done, you can't tell why you did it.

Mr. GARRETT. Let me say, I don't think there is anything in the testimony; I don't remember anything; at least, the impression has not been made on my mind from anything in the testimony that you misrepresented anything to anyone.

Col. HUGHES. I gathered that more from newspaper articles than anything else.

Mr. GARRETT. I was speaking of my mental impressions.

Col. HUGHES. Yes.

Mr. GARRETT. Colonel, this is a matter that has given me considerable trouble. Colonel, I expect I have lost more sleep than you have, because I am very anxious to do no one an injustice. I realize what a report to the House means. Whatever it means in military life, I do not know; I do not know of anything that you have misrepresented. The only thing that I can see is that you may have been neglectful in holding this information from those officers who went out there. This claim was settled in a very unusual way. These representatives from here went out to settle it. That has never been done by any other claim that has come before this committee. Did the Standard Steel Car Co. seem anxious to get this, what I call this junk material?

Col. HUGHES. On the contrary, they were much opposed to it. They said they had no sales organization out there for handling it. Their preliminary offer to us is contained in the minutes of the meeting, showing that they simply wanted to buy certain buildings and certain machines which they had a use.

Mr. GARRETT. Well now, this offer from Briggs & Turivas, wasn't it for anything except scrap. Didn't it include any machines or buildings?

Col. HUGHES. No machines and no buildings.

Mr. GARRETT. Did you ever estimate just what the offer of Briggs & Turivas would have meant in dollars and cents as compared with the offer of the Standard Steel Car Co.?

Col. HUGHES. I never personally made a detailed estimate of it, but the question was discussed generally in the office and Mr. Palmer, I believe, wrote a letter, a copy of which you have seen.

Mr. GARRETT. That is in our records.

Col. HUGHES. Showing what his estimate of it was. We went over the thing in the office of the Standard Steel Car Co. and we could not tell then what it was, and recently the members of the Ordnance Department in Washington have gone over these letters time and time again trying to figure out just what it did mean, get what it amounted to and in the cold light of day after it had been effected, that the sum, the most they can possibly get out of it was about \$300,000.

Mr. GARRETT. That is Briggs & Turivas.

Col. HUGHES. Yes; assuming that that is a firm who would give a bond under these circumstances, and who would carry out without any difficulty at all the job of cleaning up all of the material in the plant. If you read those letters you will find numerous loopholes. They say materials have been represented to us by War Department officials to be such and such and of such a thing, and of such a description, and as far as I can find out only one member of the firm had ever gone out to Hammond and at that time he had never gone into an analysis of the price of bronze for nickel plate, to find out what the specifications were. These materials were all made under French specifications, which were entirely different from ours. There is a great deal of brass with aluminum in it and things which, as far as my knowledge goes, had never been brought to the attention of the Briggs & Turivas Co., that all these things they were privileged in their letters to take exception to when they found out about them. The length of time that the material would have to stay at the plant was a very big determining factor in our minds in accepting the status of the Standard Steel Car Co. offer. The Standard Steel Car Co. was anxious enough to take care of that obligation under such terms as Briggs & Turivas Co. offered. You can not in all fairness take these two letters and put them down on the table and say "These are the facts," because they are not the facts. You have a statement, as I said, the last letter, which the man who signed it said he did not understand what it meant. You have a second letter signed by the same man on the following morning which goes into more detail, but after no additional investigation of the materials in the Standard Steel Car Co.'s plant. I wish you could get a copy of that letter.

In the second letter he refers to—in regard to paying 15 per cent of the invoice cost prices to the United States for raw materials. Well, when I talked with Mr. Parker, their manager, on the day before, I said to him, "What does that mean—are you going to pay us 15 per cent of the cost to the Government of this material, without regard to the labor expended on it?" and he said, "Well, I can't

answer that," and I said, "Well, Mr. Parker, take just one example. There is a big gandry gear, made out of bronze, and it cost the Government \$125. Are you going to pay us 15 per cent of \$125 for that?" and he said, "Well, I do not know." I said, "Well, it makes a lot of difference whether you are paying us 15 per cent of \$125, or whether you pay us 15 per cent of the cost of the raw material that went into that." He said, "Well, I can't answer that."

Now, then, to make myself clear, you see there were so many materials out there, good materials, and which they were offering to pay 15 per cent of the cost price; then I went back to the Standard Steel Car Co. office after I got through at the office, and I asked them to prepare for me some statement as to the value of the raw material, its cost price per pound—in rough raw material and I found them from five different places. I found that the cost of those five contracts was less than 10 per cent of it used by the Standard Steel Car Co., so that if a certain amount of material cost us \$100,000, the actual raw material which went into that was less than \$10,000. So you see that if they had said that they would pay us 15 per cent of the actual cost price for scrap they would have been paying us 15 per cent of the \$50,000 for raw material.

Mr. GARRETT. Well, now, Colonel, if the Standard Steel Car Co. did not want it, and you gentlemen who were detailed out there—you did not understand this bid, why would it not have been possible to have gotten one of these representatives of the Briggs & Turivas firm to go down there and go over the material and get a more definite statement from them?

Col. HUGHES. I think that perhaps our feeling about that was simply this. I think that when the question of accepting the Standard Steel Car Co.'s salvage offer came up in the office, Mr. Palmer, to whom I referred several times this afternoon, went to Briggs & Turivas and said that he wanted them to make a salvage offer on this material. He had been in the habit of doing that repeatedly in order to get the contractors' price raised. He would get some one to write a letter to get it raised. Briggs & Turivas knew through Lieut. Reagan that it was impossible for us to sell this material to them. So they were perfectly safe in making any kind of an offer they desired and had done so several times. I can recall calling up Mr. Corey in the office one day, and after I picked up the receiver I heard some one call Mr. Corey to get him on the telephone. While I was on the telephone holding the line, waiting for Mr. Corey, of the Standard Steel Car Co., some one—I heard some one call Mr. Corey and tell him that he wanted the Standard Steel Car Co. to bid on that stuff, that they, the other firm, would sell it and split 50-50 with the profits.

Mr. GARRETT. Well, the Government has sold a great deal of stuff to Briggs & Turivas through the salvage board.

Col. HUGHES. Yes, through the salvage board.

Mr. GARRETT. Of course, yours was not a salvage board, yours was a claims board and not salvage, except as you might be dealing with the contractor in regard to salvage, but it was within the power of the board to refer salvage to the salvage board.

Col. HUGHES. Oh, yes. We felt that in this case we were saving a great deal of money for the Government by not turning it over to the salvage board, because there was inventory going on. I went

into the Standard Steel Car Co., and I found them dumping barrels of split pins and bolts out on the floor and were nicely counting nuts for the purpose of an inventory. They had them, Mr. Garrett, in diagonals all over the floor, and there were men sitting around there to be paid for, and they had split pins arranged in tens and hundreds on the floor. I do not know if that was proper or not, but an inventory was required. Even if they had gotten an inventory that way, it was costing us nearly \$52,000 a month just for that sort of work alone besides other expenses going on at the time, and if we had turned this material over to salvage it would have meant that it would have to have been inventoried and it would have gone through a new organization. They would have had to ask for new bids on this material, under the law or under the regulations, I do not know which.

That would have taken time. I doubt, however, if, when it came to bids, that would have gotten offers on all that stuff in a lump, and as a result much of the material, as the case might be, would have been left in the Standard Steel Car Co.'s plant for months to come. We did not consider those letters an offer. We knew the circumstances on which the letters had been written. We knew that letters had been written under similar circumstances and we did not consider that a bona fide offer from Briggs & Turivas.

Mr. GARRETT. What was it for?

Col. HUGHES. It was for the purpose of getting the Standard Steel Car Co. to raise their offer on salvage and was—Mr. Palmer was intimately acquainted with the firm of Briggs & Turivas. I think he has handled scrap all his life; I am not familiar with all his entire history, but I think he knows a lot about it and he simply went to them and said, "We want the best offer we can get for the material at the Standard Steel Car Co. plant," and the company's man gave the thing the once over and said, "How many tons are there?" He said, "There are about 18 or 20 thousand tons." In fact, there were only 10,000 tons, because only 17,000 tons of material had been purchased for the entire 964 carriages.

Mr. GRAHAM. Well, now, if that is what Mr. Palmer was doing, would you tell me, Mr. Hughes, why he was objecting so strenuously because you did not consider that Briggs & Turivas offer?

Col. HUGHES. Yes; let's see. In my mind I am perfectly satisfied why I did it. Mr. Palmer has worked on the salvage offers a very great deal. He has taken a very great deal of trouble in getting the contractors to make as good a salvage offer as they could, and this is one way that he has taken of doing it. After a man had gotten an offer like that it was up to him, more or less, to make us as good an offer as he can. Mr. Palmer had been out of the plant very infrequently and was not familiar with the material out there. He did not know the specifications of it and he did not know the various other details in connection with it. And when he got this letter he called up the cost accountant out there. I may be wrong in this. He called the cost accountant and they gave him the certain figures. Material cost \$5,000,000—all the material cost more than that. The whole contract cost \$17,000,000. In other words, they tried to justify this letter. Mr. Palmer's arguments on this thing were presented to the other members of the board. They were given due consideration and you

member that I said a moment ago that he said the Standard Steel Car Co.—“They would sell it and make over \$2,000,000 out of it.” In other words, the \$670,000 offer was not in line with his statement—that they would make \$2,000,000. It was an attempt on Mr. Palmer’s part to justify his previous statement that the Standard Steel Car Co. is not offering the proper amount of money for it. I hope I can make myself clear on it. It is all clear in my mind.

Mr. GRAHAM. Col. Reagan testified before this committee that he stated to the board that it would amount in dollars and cents to anywhere between \$500,000 and \$750,000; probably nearer the latter figures than the first. He said that they were, of course, approaching it as a business proposition; that he expected to make money out of it; and that was his estimate in dollars and cents of what their bid would amount to. Of course, I am just saying that.

Col. HUGHES. I, of course, realize, Mr. Garrett, the meaning of a statement like that.

Mr. GARRETT. Did I understand you to say that you did not have a correct total in mind as to the Standard Steel Car Co. as regards buildings and as regards the other salvage, including this junk material—I refer to this material as junk—the unusable material?

Now, that \$900,000 which was awarded was the sum total, without any particular idea in anyone’s mind as to the value of the buildings, as to the value of the machinery, or as to the value of the junk material?

Col. HUGHES. No; I did not say that. If I did I did not mean it. The Standard Steel Car Co.’s first offer was itemized, as I read a moment ago, and totaled \$800,000. Now, when they increased that price to \$900,000 they did not say they would increase facilities \$100,000, item of machinery or material \$100,000; they increased the lump sum \$100,000, to \$900,000; but in the meantime, in going over their claim, we had justified to our own minds satisfaction that increase. At least, I simply added the \$100,000 to the material. Do I make myself clear there?

Mr. GARRETT. Yes; I get your viewpoint, I think. Now, passing from the salvage proposition, what was the idea in your mind of referring a part of this claim to the auditor’s office out there with the request that certain items that were marked “X” be audited, as it was a negotiated settlement, if you were detailed on that basis?

Col. HUGHES. Yes; there were certain items on there which the auditor could work out. For instance, there would be \$121,000; the auditor could tell from his books whether it was \$121,000 or \$151,000, and if I had the letter here I could show you.

Mr. GARRETT. You mean Reagan’s letter?

Col. HUGHES. Does that give the cost items? That was discussed with Mr. Miller. I went down to Mr. Miller’s desk with that statement which I had in my hand and then I said, “Mr. Miller, we want to get an audit and a report on these items of claim of the award which we have drawn up,” and I said, “I will take the first item here.” I am speaking here generally. I don’t think that the auditor would have anything to do with that, because it is purely a negotiable item of cost accounting. Mr. Miller agreed with me perfectly. It was understood between me and Mr. Miller that I had not asked for anything that was not right or anything that

I could not do formally and aboveboard. I indicated just what I thought the cost accountants could audit and he took that request. He said he would have it back just as soon as possible.

Mr. GARRETT. But they had been agreed on before, had they not?

Col. HUGHES. Well, yes; just as you will find from my notes.

Mr. GARRETT. I mean the agreement between you and Mr. Cory had been reached before that time as in the figures of the negotiations about which—I believe it does not refer to the fact that certain items were allowable—subject to audit.

Col. HUGHES. I can read those to you in a very few moments if you think it would be of any help to me. I have the page number right here.

Mr. GARRETT. I think it might be well to have those.

Col. HUGHES. The agreement between Mr. Cory and us as in the pages of negotiations, about which it does not refer to the fact that certain items were subject to audit. I can read them to you in a few moments if it will help me. I have it right here:

Col. ARISON. I think any consideration of anything of that kind would have to be done absolutely independent of this procedure outline. In other words, it would be a matter to discuss absolutely of itself.

Mr. COREY. You think this one item wants to be an item that can be audited?

Col. HUGHES. Yes; absolutely.

Mr. GARRETT. What item is that, Colonel; do you know?

Col. HUGHES. It would be awfully hard to say; it was in the discussion of the 10 and 5 per cent offer. The next reference is on page 43 of the Chicago board minutes, which reads as follows:

Col. HUGHES. No; nothing on that heretofore. Schedule 8 is a claim for excess cost of Government buildings over the original allowance to cover same.

Col. ARISON. That has all been audited and checked.

Col. HUGHES. And, to my mind, is a perfectly allowable item all the way through, subject to audit.

Mr. GARRETT. Does that include any of these claims that are in this award? Are any of those mentioned here? I want to get them. The last one you mentioned was cost of buildings.

Col. HUGHES (interposing). An excess cost of Government buildings over the original cost to the Government. That is the \$65,000 item.

Mr. GRAHAM. That is in the allowance? I take it that the matters that the witness is referring to are all referred to in the award made by the Chicago district board?

Col. HUGHES. Yes; perhaps not in the exact amount, but the same discussion and the same general heading.

Mr. GRAHAM. In order to make the record distinct, there should be some way of doing this other than encumbering the record with them.

Col. HUGHES. There is no amount stated on that particular item.

Mr. GRAHAM. If you refer to these items as final—go ahead, put them in the record.

Col. HUGHES. On page 47 of the minutes of the Chicago ordinance claims board—this is in regard to Mr. Corey's estimate as to the amount of time that he thinks will be necessary to make an audit. It is as follows:

Col. ARISON. Moreover, I don't know, but I feel if we could come to an agreement with Mr. Corey here on this claim, with the close touch that Washington has already had with the claim, that we could expedite the final settlement of it very materially, so that any period of overrun there would not need very great.

Col. COREY. The auditing of these items is going to take a long time.

Col. GRAVES. How long do you estimate?

Col. COREY. Especially if we have to take every tool on an exact 10 per cent material and exact 5 per cent settlement contract. I doubt very much whether the subcontract material will have been all checked up in 90 days.

That is just an estimate. On page 48 of the minutes of the Ordnance War Claims Board of Chicago there is the following:

Col. ARISON. I know this property does not belong to the Standard Steel Car and never has.

Col. GRAVES. They are going to know, before they take it over, every item, the same as they do in a completed part.

Col. ARISON. Assuredly, for the purpose of the property department.

Col. GRAVES. It won't prevent the audit of the amounts; it is simply a matter of inventory.

Col. ARISON. It won't prevent the settlement of the claim by a final payment.

This was referring to an audit in a general way showing that the audit was in my mind. I have one other reference I wish to make. On page 110 of the minutes of the Chicago District Claims Board, there is the following:

Col. HUGHES. Yes. But it is impossible to tell from the decisions to which we have come to-day anything about the actual amount of money involved because it is all subject to audit.

Col. ARISON. Not the exact amount, but you can reach an idea of the approximate amount, because I imagine as far as the items are concerned the actual audit ought not to make a great amount of change in that, because they are really fairly simple.

Col. HUGHES. With the exception of schedule 2, 10 per cent and 5 per cent profit.

Do you want any more of those?

Mr. GARRETT. I don't care for any more, but if you care to put them in, it is all right.

Col. HUGHES. I will—I think it is a very important part of our testimony.

Mr. GRAHAM. The committee has already read them. Those voluminous minutes contain so many things that have been testified about. You will be given all the opportunity you desire to testify, about all the things that are in there now and continuously, as long as you testify, but you can see that for you to put it in would be a very large addition to our record which is already voluminous. The committee will let you tell us what went on in the meetings rather than to incorporate your statement. I assume that you are not a lawyer and don't understand application of the bulk of what you are reading now to be hearsay. It is something that was said some time that you now want to read it into the record. You can testify as well. For instance, I said so and so, and somebody said that. We discussed this and we discussed that. I don't want to cut you off, but we don't think we should put all those voluminous records into ours. What do you say about it, Mr. Garrett?

Mr. GARRETT. I think you are right.

Mr. GRAHAM. It is decided to introduce the minutes of the various meetings of the Chicago District Ordnance Claims Board in evi-

dence, but not to introduce it in evidence, but for the present they are not to be printed in the record.

In regard to that audit, the main thing I was interested in is whether any of those items that were referred to the auditors' office there. Mr. Miller or Mr. Blakey, whoever it was, were subject to change under an audit, and if so, if any audit was had of them?

Col. HUGHES. We say here again in the minutes that these are all subject to audit—subject to change, if an audit shows that the amounts we have agreed upon are wrong. On the subject of audit—I hate to be a gossip, but as long as we are going into all these things, let me recite to you the way the details of this question of audit was brought to me. I was sitting at my desk in the morning. This claim was being discussed and prepared for signature for the War Department officers, and Col. McFarland was using a leaf on my desk alongside of me, and somebody came in and touched him on the shoulder and said Blakey wanted to see him. Col. McFarland said, "I don't want to see him." A moment later I noticed Col. McFarland was gone. He came back in a few minutes and said, "Blakey called me outside and told me that this claim has not been audited." I said, "That is interesting; is Mr. Blakey still here?" He said, "Yes." I went out and saw Mr. Blakey. I got him in Mr. Palmer's office. Mr. Palmer was just moving; there was no one in there. I asked Blakey what the trouble was, and he said that he had told McFarland that the claim had not been audited.

I told him I thought he had better get McFarland and Arison, and as he started to get them Blakey said, "Moreover, you insulted me." I said, "I am sorry to hear that. How did you think I insulted you." "Well," he said, "during the conference yesterday you read a statement that \$52,000 of overhead had been paid, and I spoke up to the meeting and said \$109,000 had been paid, and then you said you didn't know anything about that until Mr. Blakey turned loose." Blakey said that he was insulted. I said, "I consider that you are a man who has a perfect right to consider yourself insulted; and if you think so, I can apologize," and so I called Mr. Vail, and in the presence of Col. Arison and McFarland I told Mr. Blakey that I did not think I had insulted him, and that if I had insulted him I begged his pardon. He did not accept it; if he did, it wasn't with very good nature. But we discussed this question of an audit. I went to my desk and got a letter off of it that had been lying there about this matter. The letter was lying there on top of my desk; if I had thought about it I could have passed it around there.

And I think McFarland, Mr. Vail, and I read this letter to Blakey in their presence, and he said he thought that that could be considered an audit report on this claim.

Mr. GRAHAM. I find here in this connection with the minutes of the conferences of this Claim Board in Chicago on September 19, 1919, Col. Hughes and Mr. Corey were there, according to this, discussing salvage value. Col. Hughes is talking, according to the record, and he says this:

I feel—and I have talked with the other members of the district board on the subject and they feel—that if without any further dickering you make us a salvage offer of a million dollars, or increase your offer of \$300,000 by \$200,000, we will simply say, "We are for you strongly. I will take this claim

to Washington, and I will stay there until it is either put through or we get a definite determination from somebody that it is not going to be put through. Every member of the board will be voting for you and pushing for you."

Further on you say this:

You may admit some of them, and we may have to give in on others of them, but this is your first offer of \$800,000, and, as I have said before, if you go to a million dollars there will be no more question about it; it is settled and done as far as this board is concerned, and we will all pull strong for you.

Then again you say:

Yes, we understand that, and that is the reason I am not haggling with you over prices at all. We do not want to go into the details of this at all. Mr. Vail, Mr. Church, and Mr. Palmer, and others of our representatives have gone into the details and we have talked to them about it, and we feel from what we have gleaned of their conversations that if we get from you a salvage offer of a million dollars we will be for you all the way through until this matter has passed the final settlement of the board at Washington. We can substantiate an offer of \$1,000,000, but we do not feel now as though we can be very strong in trying to substantiate \$800,000. My idea would be if you accept that offer that the first thing for me to do would be for me to go out to your plant and spend a day out there with some representative of your company with Mr. Vail or Mr. Church, see the situation as it is there, and be prepared to go to Washington the following day with the claim and push it through there, and wire back as soon as possible.

I get an impression from extracts of that meeting that your attitude of mind was such that if you had agreed with Mr. Cory about this thing that you had made up your mind that you were going to go to Washington; that you were going to push this through, that you had absolutely decided upon it and that you did not intend to let anything or anybody interfere with you—interfere with that being done. Have I got that right?

Col. HUGHES. My statements are all based on the previous statements of Mr. Cory. He made statements at the meeting to the effect that he would accept this \$3,000,000 award of the Government's, provided we would do everything we could to put this through as promptly as possible. That didn't mean that when we accepted this that we were going to put this through right or wrong. We simply meant, and I think that you will agree with me, that we were not going to let regular procedure—regular routine—stand in the way of an early settlement. We thought we had made a very excellent settlement with the company and we did not want to have it delayed. We did not want to have this thing opened up again and have to renegotiate another settlement.

Mr. GRAHAM. But when you say now—

If you agree about this thing, we will all pull for you, and if you do that, if you agree with me, I will go out to the plant to-morrow.

Why should you go out to the plant after you agreed with them?

Col. HUGHES. I will explain that.

Mr. GRAHAM. Go ahead.

Col. HUGHES. I had been authorized by the District Claims Board to say that.

Mr. GRAHAM. You had.

Col. HUGHES. I certainly had.

Mr. GRAHAM. Who authorized you?

Col. HUGHES. Mr. Russell and Col. Arison and I thought the same way about that, that the offer of the Standard Steel Car Co.

of \$1,000,000 for the salvage—we thought that they had done very much credit by the Government and then it was simply up to us to expedite the thing as much as possible.

Mr. GRAHAM. I get the impression from those minutes, that after you had once agreed with Mr. Cory about this that you did not propose to let Mr. Blakey or anybody else interfere with that settlement, and on that account you did not pay any attention to the offer that Briggs and Turivas made.

Col. HUGHES. That offer was made after the offer of Briggs and Turivas was made.

Mr. GRAHAM. That was on September 9.

Col. HUGHES. Then I am mistaken.

Mr. GRAHAM. You were promising Mr. Cory that should he agree to that you would do this for him. Now, after you had promised, your frame of mind was such that you could not let anything interfere with it?

Col. HUGHES. I was only used there in an advisory capacity and there were others of our people there who could interfere with that.

Mr. GRAHAM. Why were you promising Mr. Cory those things?

Col. HUGHES. It was worth \$100,000 to us to promise that.

Mr. GRAHAM. Yes; possibly so.

Col. HUGHES. It was worth \$200,000. He had offered \$800,000 and I was trying to get him to come up to \$1,000,000.

Mr. GRAHAM. What I am trying to get at is whether that had affected your judgment so that you would pull for him?

Col. HUGHES. No.

Mr. GRAHAM. You can explain.

Col. HUGHES. It is hard for me to explain it to a man who has such an impression of the case. It is harder for a man to erase an impression than it is to make an impression. That was not my motive. I had just as much right to say it wasn't my motive as it is for somebody else to say it who does not know anything about it. I assume that from the previous testimony that you must have obtained; otherwise you would not have misconstrued the statement. That was an agreement between me and Mr. Cory after Mr. Arison and Col. McFarland had referred the settlement to me, and now the evidence goes to show that we worked for the Standard Steel Car Co.—worked to get \$200,000 out of them.

Mr. GRAHAM. Now, do you want Col. Hughes back to-morrow morning. Do you think so, Mr. Jefferis?

Mr. JEFFERIS. I think we had better meet very promptly at 10 o'clock.

Mr. GRAHAM. Mr. Cory, of the Standard Steel Car Co., appeared here on the morning of our last day's hearing and informel me that the secretary of the company and the chief account for whom we have issued subpoenas could not be found, and that he did not have any information about the minutes that we wanted about the cost production sheet, and said he would do anything he could in the way of getting it for the committee. I told him we wanted that information. Yesterday Mr. Cory brought to my office a sheet which he thought was what they wanted to furnish and which he said was an estimate of the cost of production of these gun carriages, total amounting to \$22,545.09. I offer the statement just as he gave it to me, and it will be incorporated in the records.

Name.	Material cost.	Labor cost.	Over- head.	Sub- contract.	Total cost.
Platform.....	\$1,124.15	\$708.79	\$1,417.58	\$17.10	\$3,267.62
Top carriage.....	1,222.29	802.39	1,004.78	442.05	4,071.51
Loading platforms.....	268.73	134.54	269.06	387.58	1,059.93
Elevating mechanism.....	374.63	7.51	15.02	950.71	1,347.87
Traversing mechanism.....	75.36	3.30	6.60	308.59	393.85
Quick loading.....	36.19	10.95	21.90	235.92	304.96
Cradle.....	856.12	377.49	754.98	447.00	2,435.59
Shell tongs.....	11.71	.....	.....	60.75	72.46
Firing gear.....	13.54	4.90	9.80	64.75	92.99
Erecting frame.....	346.45	223.59	447.18	254.45	1,271.67
Transport wheel tracks.....	76.04	182.83	265.66	21.88	496.39
Transport limber.....	448.44	.....	.....	1,308.30	1,756.74
Transport vehicle.....	1,785.67	190.76	381.52	1,233.08	3,591.03
Tools and accessories.....	489.52	24.95	49.90	129.57	693.94
Assembly.....	.....	415.23	830.46	.....	1,245.69
Subtotals.....	7,128.84	3,037.23	6,074.46	5,861.71	22,102.24
Miscellaneous.....	52.07	17.97	35.94	.....	105.98
Crating and packing.....	.....	96.02	192.04	.....	288.06
Shipping.....	.....	16.27	32.54	.....	48.81
Subtotal.....	52.07	130.26	260.52	.....	442.85
Total.....	7,180.91	3,167.49	6,334.98	5,861.71	22,545.09

Mr. GRAHAM. We are much obliged to you, Col. Hughes. The committee will now stand adjourned until 10 o'clock to-morrow morning.

(Whereupon, at 5.50 o'clock p. m., the committee adjourned until Wednesday, November 5, 1919, at 10 o'clock a. m.)

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, November 5, 1919.

The subcommittee met at 10.35 o'clock a. m. pursuant to adjournment, Hon. William J. Graham (chairman) presiding.

Present: Hon. Albert W. Jefferis, and Hon. Finis J. Garrett.

TESTIMONY OF COL. E. S. HUGHES, UNITED STATES ARMY—
Continued.

(The witness was recalled by the chairman.)

Mr. GRAHAM. You can proceed, Mr. Jefferis, if you wish to ask Col. Hughes any further questions.

Mr. JEFFERIS. Colonel, according to the awards here—the award of the district claims board, Chicago, is dated September 26, 1919, as was also the award filed by Col. Arison of the district claims board, and McFarland of the ordnance claims board and Reeves of the Department Claims Board. Was that all done at the same time?

Col. HUGHES. Yes; I believe it was. The final meeting of the district claims board at which the award was passed upon was dated August 27, I think. Then I came to Washington later on. Those men went out there on September 22, I think, and went over the plant and the final papers were drawn up in the Chicago district ordnance office and filed by the ordnance district claims board and the ordnance board and the War Department board all on the same day.

Mr. JEFFERIS. Well, what was the necessity, or what was the reason for the district claims board executing another award on September 26, 1919. Here are the two, and those are what we have seen. At least, what I have seen (referring to page 3193 of the document).

Col. HUGHES. Do I understand you clearly, that you say there are two separate awards. This one and this one? [Indicating.]

Mr. JEFFERIS. Wait until I take our printed hearings here, so that I can ask the question intelligently. Take this, Colonel. On page 1696 of our printed hearings there is an award here that has the signatures of the Chicago ordnance district claims board by E. E. Arison, and it is approved by claims board, Ordnance Department, by Earl McFarland, and then it is approved by the War Department Claims Board by Ira L. Reeves, colonel of Infantry, etc.

Col. HUGHES. Yes.

Mr. JEFFERIS. Now, that award bears date of September 26, 1919.

Col. HUGHES. That is right.

Mr. JEFFERIS. Then there also appears in our printed record at page 1698 an award apparently dated September 26, 1919, also, which is signed "Chicago District Ordnance Claims Board," signed by E. E. Arison and a second signer, Standard Steel Car Co., by W. G. Cory, contractor. Now, both of those awards, one of which appears to be an award of the Chicago district claims board, ordnance claims board, and the other appears to be an award by three different boards all bearing the same date. How do you explain both of those being dated at the same time?

Col. HUGHES. Well, as I understand this thing, there were two separate papers that had to be drafted in order to close the routine handling of the claim, as far as the district claims board and the other claims boards were concerned. One of them was in reality the settlement of the contract under which the Government made a certain agreement with the Standard Steel Car Co., and the other one was simply a regular form of award showing the allowances under various headings as indicated here on work, indirect materials, etc., which is only signed by the Chicago board. In other words, in the regular course of events, the regular form as indicated on page 1698 would have been made out and signed by the chief of the district office and sent to Washington along with the settlement contract, which would ultimately be settled by the Ordnance Claims Board and the War Department Claims Board.

Mr. JEFFERIS. Was there ever an award signed by the Chicago District Ordnance Claims Board, dated September 26, 1919?

Col. HUGHES. No; I think not.

Mr. JEFFERIS. You mentioned yesterday that before you came to Washington to take this matter up that the Chicago district ordnance claims board had agreed with the Standard Steel Car Co. for a settlement. How was that agreement evidenced in any way?

Col. HUGHES. It was evidenced by the account of the meetings held, in the shape of minutes which are furnished with the papers which I gave you, showing the presentation of the claim, item by item, to the full board in Chicago, and as a result of that presentation of the claim, and as a result of the question which I asked, we passed a motion to award the Standard Steel Car Co. \$3,000,000, and told us to continue negotiations for the sale of the salvage.

Mr. JEFFERIS. Would you take the minutes and show where that motion is?

Col. HUGHES. These minutes are so different from the ones—the way they are bound—it is hard to find things. The minutes of August 27 are the ones I am trying to find. This is a meeting on August 27, in the office of the chairman of the district claims board, Chicago.

Mr. JEFFERIS. Who was present?

Col. HUGHES. Just one minute. On Wednesday, August 27, 1919, at which meeting were present Col. E. E. Arison, Mr. John J. Marshall, Mr. J. W. Lyons, Col. E. S. Hughes, Lieut. Col. L. N. Clark, Maj. F. W. Duryea, and Mr. Graves. This claim, as I say, was discussed and wound up with this statement:

Mr. MITCHELL. How would a resolution of this kind be, that we make the award for \$3,000,000 less the amount of the salvage that may be agreed upon between the company and this board?

Col. ARISON. I think we can arbitrarily make a deduction, Mr. Mitchell, of an amount which we think will fairly cover any salvage offer that we can ask in the premises, on that basis, and then make a 75 per cent payment.

Mr. MITCHELL. I think the other would be a fairer proposition. If we make it subject to an agreement we might make with them it would be possible that we could not come to terms. We can specify this \$3,000,000, and get them satisfied on that.

Mr. LYONS. It would tie up one end of it so they would know where they were at in trading on facilities.

Mr. MITCHELL. And we would know where we are at.

Mr. LYONS. This being contingent upon a proper offer being made for the facilities.

Mr. MITCHELL. The amount agreed upon between the company and this board.

Mr. LYONS. That does not throw away Col. Hughes's trading facilities, and gives them a specific thing to count on. That is all right.

Col. CLARK. Has there been any salvage value estimated for the materials, Mr. Chairman?

Col. ARISON. Not yet.

Col. CLARK. You have no idea what they would be worth as salvage?

Col. ARISON. That does not enter into this claim.

Col. CLARK. It is \$700,000 or \$1,000,000 I think.

Col. HUGHES. I second Mr. Mitchell's motion.

Col. ARISON. Gentlemen, you have heard the motion proposed by Mr. Mitchell and seconded by Col. Hughes that an award of \$3,000,000 be made to the Standard Steel Car Co. in full settlement of their claim on contract CF 331, subject to such deduction for salvage for buildings and machine facilities as may be agreed upon between the district board and the Standard Steel Car Co., and the contracting officer is hereby directed and authorized to execute settlement contract and other documents accordingly.

Mr. LYONS. I think that is all right. That does not tie us up, and it lets them see what they will have.

The motion was unanimously carried.

Mr. JEFFERIS. Then, at that meeting of August 27 is where the board took action on allowing this claim to the extent of \$3,000,000.

Col. HUGHES. Yes, sir.

Mr. JEFFERIS. Did the board know at that time that the company would accept the \$3,000,000 subject to the salvage proposition?

Col. HUGHES. Did the company at that time know that we would pay them \$3,000,000 subject to the salvage offer?

Mr. JEFFERIS. Did they indicate that they accept it or not?

Col. HUGHES. The \$3,000,000? Yes.

Mr. JEFFERIS. John J. Marshall was president of what?

Col. HUGHES. He was president of the Illinois Trust & Saving Bank.

Mr. JEFFERIS. What investigation had he made of this claim, to your knowledge, Colonel, before he made this motion?

Col. HUGHES. After Col. Arison and I had finished with our negotiations and had arrived at this sum of \$3,000,000 we wanted to be sure that we were right. We were not taking any chances on it at all. It was a big proposition. We were working for the best judgment we could find. It was suggested that—I have forgotten by whom, that I see Mr. Marshall and I talked the proposition over with him. Mr. Graves and I went over to the Illinois Trust and Savings Bank. Mr. Marshall was very kind. He let us come in and we explained the matter to him. I guess we spent a half hour with him going over this whole thing. We told him what the negotiations were and answered questions that we asked. I can't remember all the statements there that were made or the questions that he asked. But we did not go into the extreme details, he simply asked questions along the line

of "Did the Standard Steel Car Co. do the work that you wanted them to do? Did they do it well?" and questions along that line, and what we told him were the explanations of the settlement, item by item. And he said that as far as he could see we were perfectly justified in awarding that amount, and then when the matter was presented again before the whole board Mr. Marshall asked some additional questions on the subject which are shown in the minutes and that they were perfectly satisfied as were all of the members of the board, and you see we had men on the board who had followed this from its inception. We had Mr. Lyons. There wasn't anything that he didn't know about it, Col. Clark, Maj. Duryea, and Mr. Graves, the Washington man, had followed the thing fully, more or less, and had sat in with Col. Arison and myself at Chicago all through these negotiations and were familiar with them.

Mr. JEFFERIS. Now, about this figure of \$3,000,000. How did you arrive at that proposition?

Col. HUGHES. In this way: The Standard Steel Car Co. submitted a claim for \$6,733,000. We looked at that and immediately scratched off certain items which we said we could not allow as items and as the amount. For instance, they had in their claim some commitments. Under schedule 3, I think it was, or 4, which was being audited and struck out—in the normal procedure provided for in the payment of cost-plus contracts. So we said: There is no use in having those items in the claim. They can be taken care of and settled outside. They agreed to that. In other words, the claim submitted to us by the company on June 24 was a simple statement of business to date. In reality, it was not a claim; it was a statement of business. Then we had remaining for the other items of their claim on the part of the company, amounting to approximately \$4,200,000. I first went through the claim myself and fixed the items on which there was no question of doubt that we owed the company a fair settlement for the work done, and that amounted, approximately, to \$2,429,000. As I explained it to you yesterday, that amount was arrived at after discussion. It wasn't a personal matter with me at all. I told the company that we could see our way clear to settle with them for \$2,429,000. They did not listen to that. That was the minimum. Then came the first discussion. First, discussions with Mr. Cory after this certificate seal had been received from Washington, and having been turned down by the Standard Steel Car Co. our offer of \$2,429,000, we then discussed this claim, item by item, and talked the thing over and found that where we had crossed out \$1,000,000 on schedule 1, there were certain reasons why we could allow a small amount on schedule 1, and we went through that way and we thought that we were justified in increasing our offer to \$2,750,000. That offer was not acceptable to the company. It was at that time that I learned in the negotiations that this was more or less a question of give and take, and I wanted to get a statement from Mr. Cory as to how much he wanted. We could not get that statement and we could not get a settlement, so then we had more negotiations. We talked it over in the office again—this \$2,750,000. We went down through the claim again, item by item, and tried to find some method of presenting it to the Standard Steel Car Co. so that they would see that the sum of \$2,750,000 was all that they were en-

titled to. But in going over that thing again we found that \$2,750,000 was not all that we could allow. And when the Standard Steel Car Co. would not accept \$2,750,000 we finally came to \$3,000,000.

Mr. JEFFERIS. Who came to that first?

Col. HUGHES. You mean what particular person?

Mr. JEFFERIS. Yes.

Col. HUGHES. I do not know.

Mr. JEFFERIS. Go ahead.

Col. HUGHES. This is not a matter of general discussion in the office. We talked this over, Mr. Graves, Col. Arison, and Mr. Russell; and Mr. Russell came in once in a while and we talked it over with him. Then we arrived at this sum of \$3,000,000, and we said this is the last cent we will give.

Mr. JEFFERIS. Then the Standard Steel Car Co. was not making any offer of settlement up to that time, for any definite figure?

Col. HUGHES. No; so we said we will offer them \$3,000,000 and they can take or leave it, if they don't want it they can go to the Court of War Claims and get more or anything else they wish, but we are not going to allow more than \$3,000,000 and that is the way it stood.

Mr. JEFFERIS. That would include the \$800,000 that they were entitled to on profits in the \$3,000,000?

Col. HUGHES. Yes.

Mr. JEFFERIS. Then these other items that finally made up the \$3,000,000—the award—are these items that are shown here in this printed award that were signed on September 26?

Col. HUGHES. Yes; including the 10 per cent and 5 per cent profit, according to the contract.

Mr. JEFFERIS. Well, were those figures really arrived at outside of your salvage valuation on August 27—I mean those items of figure, that \$121,000?

Col. HUGHES. The August 27 meeting was the meeting at which we presented our ideas and a final award of \$3,000,000 for the approval or disapproval of the district claims board.

Mr. JEFFERIS. Was that stated as a lump sum on that day or had it been brought to that amount or given that amount by separate items?

Col. HUGHES. Separate items all the way through.

Mr. JEFFERIS. Are those, then, separate items that appear in the Chicago claims board award of September 26?

Col. HUGHES. When the first claim came in we had it subdivided into 10 different schedules. The first one was \$1,000,000 for loss due to delay. The second one was the one for profits, and all through the negotiations we worked on this schedule. Our negotiations were carried on by referring to schedule 1 or 2 or 3 of the 10 schedules and so on through the building up of our award, which was based on the original set-up of the Standard Steel Car Co. and set up by the accountant, and the total \$3,000,000 was obtained by totaling the various items, allowed under the various items.

Mr. JEFFERIS. Was that done on August 27?

Col. HUGHES. It was done before August 27.

Mr. JEFFERIS. When were these various figures that appear in this award in the Chicago district claims board found, dated in

our records of September 26—were these figures all arrived at and determined at the time Mr. Marshall made this motion on August 27?

Col. HUGHES. No; this question of award of \$3,000,000 had been arrived at by ourselves building up from these items, and when the members of the War Department Claims Board and the Ordnance Claims Board came out to Chicago, they went over our totals, schedule by schedule, and raised certain opposition. They said that under a certain item that they thought that we could not allow interest for 18 months. They said that under another item they thought it would be better to cut out 10 per cent profit on these tools and fixtures on which we allowed \$50,000 and add that to some other item. In other words, they were willing to allow this lump sum award of \$3,000,000 to stay, but, due to the fact that it had to pass through the hands of a lot of examiners who might take objection to it, he suggested, and we acquiesced in certain things.

Mr. JEFFERIS. In other words, the amount of the different items were changed in dollars and cents after they arrived there in Chicago, yet the sum total of \$3,000,000 was not changed?

Col. HUGHES. Yes; that is correct.

Mr. JEFFERIS. Do you know what changes were made there in September?

Col. HUGHES. I think I can tell you with rather a great deal of accuracy. Schedule 1, item B, was, as I recall it now, when we figured it out, \$98,910, which was interest on a plant investment of \$1,999,000 for 18 months. They said—these men I have just referred to—

Mr. JEFFERIS. Was that McFarland and Reeves?

Col. HUGHES. I don't remember who raised that particular point. These War Department members.

Mr. JEFFERIS. It was on September 26 that that occurred?

Col. HUGHES. Yes; this was at the conference in the steel plant. I think somebody suggested that it wouldn't be proper to allow interest on that particular item for 18 months. It would be better to set it up as an item of nonproduction, which was in their estimate for one year.

Mr. JEFFERIS. There has been a good deal of discussion in regard to the value of the plant.

Mr. GRAHAM. What item are you talking about?

Col. HUGHES. Item 1 of schedule 1.

Mr. GRAHAM. Was that the one put in this on September 26 as \$99,000?

Col. HUGHES. Yes.

Mr. JEFFERIS. Your figures before that had been what?

Col. HUGHES. \$98,910.

Mr. JEFFERIS. And you figure that you had around are \$3,000,000 proposition, we will say in August, was designated how? Do you remember whether it was designated for interest or what?

Col. HUGHES. Yes; it was designated as interest.

Mr. JEFFERIS. As I understand you, Colonel, when you had arrived at your lump sum of \$3,000,000 in August, the \$98,910 was not there as interest?

Col. HUGHES. That is right.

Mr. JEFFERIS. But on September 25 and 26, when this final award was prepared and placed at \$99,000 and entitled, "Carrying charge during period of nonproduction."

Col. HUGHES. That is right, I can explain that.

Mr. JEFFERIS. That is what I wanted to know, how that came about.

Col. HUGHES. That was the morning I acted like a kid out there. This thing had been discussed the previous day at Hammond and we had gone through it item by item and when these other fellows came down to the office on Superior Street they said: "We don't think you have these items headed properly." "Well," I said, "that seems to be a matter of opinion. Everybody who has had anything to do has changed these headings." They said, "We are the fellows who approve this thing and we will change it the way we want it." Mr. McFarland and Mr. Graves took the award which I had just drawn up, and prepared headings similar. These headings shown in this final award—they took those headings of mine and went over in the corner of the room. When we first took this up there was not room on the form to print our stuff on, so a sheet of paper had been pasted on, and they tore that sheet of paper off and started changing the headings. And they changed the headings in various—I thought in such minor ways that I thought it wasn't necessary for me to change them at all. I objected strenuously to those changes and they said "somebody will get these and see that these are wrong and they should be such and such." That did not make any difference to them and they had it typed and put on the final settlement of the award.

Mr. GARRETT. Then this final settlement of award of item 6, subdivision A, was changed from "interest charge of \$98,000 and something," to "carrying charge during period of nonproduction," \$99,000.

Col. HUGHES. That is my recollection; yes.

Mr. JEFFERIS. Now, Colonel, can you look at this award as it appears on 1698 of our printed hearing, and tell us what other changes were made there in item; that is, I mean by the people that Col. Reeves and Col. McFarland got out there?

Col. HUGHES. No, I can't, Mr. Jefferis, because I have set these things up here one way. When the final award was made I set them up another way and the men that I have just referred to set them up a third way and I have no copy of the first one as I set it up. I simply noted that they changed it and I can't tell you exactly just how they were changed, but I think I can find a copy of that original award that I made with the pencil notation on it filling in what changes were made.

Mr. JEFFERIS. Then, in reality, if I get you correctly, Colonel, after these men arrived in Chicago from Washington, there on September 25 and 26, the items and amounts which you had used as a basis of arriving at \$3,000,000 settlement, were changed as a designation of what they were for and in amounts, but still making up the maximum amount of \$3,000,000.

Col. HUGHES. That is right, Mr. Jefferis.

Mr. JEFFERIS. Well, now, were there any minutes of any kind, Colonel, as to why those changes were made?

Col. HUGHES. The question of taking minutes at that meeting was discussed and it was decided. I believe, and I do not know by whom,

I can't state there was a vote taken on it, that no minutes were necessary, so that we haven't anything but a brief statement of the happenings of the day as drawn up by Mr. Graves, who was appointed the recorder of the meeting that day.

Mr. JEFFERIS. Well, now, going back before August 27, 1919, what members of the claims board had come to the conclusion of the making of an offer of \$3,000,000 to this company before you had this meeting at which Mr. Marshall took part?

Col. HUGHES. Before I saw Mr. Marshall I think Col. Arison and myself were the only two members.

Mr. JEFFERIS. Did he go with you over there?

Col. HUGHES. No; I said Mr. Graves went over with me.

Mr. JEFFERIS. Do you know whether Mr. Marshall had gone into any of the figures of these accountants or anything of that kind?

Col. HUGHES. As I said before Mr. Marshall went into it in a general way, and that satisfied him. I don't think he knew anything of the accounts over in the office.

Mr. JEFFERIS. Do you think he made any other investigation other than what he told you about?

Col. HUGHES. At the meeting of the district claims board he asked a number of questions.

Mr. JEFFERIS. Well, I take it, that from August 27 until some time in—about the middle of September—the matters that were open for negotiation between the Government and the claims board was the salvage value of the machinery, and the buildings, and the material.

Col. HUGHES. That is correct.

Mr. JEFFERIS. That is all that was open?

Col. HUGHES. That is correct.

Mr. JEFFERIS. And about then, was it, probably you told, that the latter came to the amount of \$900,000 for the material and increased facilities?

Col. HUGHES. I have a pencil note: "Date of salvage offer, September 18," I think I gave that date yesterday.

Mr. JEFFERIS. Was there any meeting of the district claims board on the salvage offer proposition there about the 18th or 19th?

Col. HUGHES. No formal meeting was called as we ordinarily call it.

Mr. JEFFERIS. Do you know to whom that salvage offer was made? Was it made in writing or just verbal?

Col. HUGHES. By the Standard Steel Car Co.?

Mr. JEFFERIS. Yes; the \$900,000.

Col. HUGHES. No; it was not made in writing. The only offer we had from the Standard Steel Car Co. in writing was the one for \$800,000.

Mr. JEFFERIS. Do you know who that offer of \$900,000 was made to?

Col. HUGHES. I think it was made to me.

Mr. JEFFERIS. Whom did you consult about that?

Col. HUGHES. I consulted Col. Arison and Mr. Russell. I also mentioned the \$900,000 salvage offer to Mr. Palmer.

Mr. JEFFERIS. What position did they take on that salvage offer?

Col. HUGHES. They took the position that—Col. Arison and Mr. Russell took the position that we were getting a very good settle-

ment for all of the Government material at the plant, and recommended that it be accepted and agreed to if accepted.

Mr. JEFFERIS. Was there any record made of that or was that just a verbal conference between you three men?

Col. HUGHES. I think it was a verbal conference.

Mr. JEFFERIS. Then, pursuant to that understanding or agreement, you came to Washington, is that it?

Col. HUGHES. Yes.

Mr. JEFFERIS. Did Mr. Marshall take any part at all when these other officers came out from Washington and had transactions there?

Col. HUGHES. No.

Mr. JEFFERIS. Did he in anyway—was he consulted in any way as to these salvage values?

Col. HUGHES. Not by me. I can't say whether or not Mr. Russell or anybody else spoke to him.

Mr. JEFFERIS. Then the salvage value, as I get it from you, if you remember, as to the facilities, machinery, etc., were really arrived at by Mr. Russell, Col. Arison, and yourself in this conference at your office?

Col. HUGHES. Yes, sir.

Mr. GRAHAM. I observe one thing that impresses me as somewhat unusual in this, that you gentlemen kept stenographic notes in your meetings and transcribed them and put them into the records. Do you know who suggested that?

Col. HUGHES. I did.

Mr. GRAHAM. What was your object in doing that?

Col. HUGHES. Well, my object was simply this: That early in the game out there, when I was called upon to settle this thing I felt that the only settlement that would be arrived at would be a settlement between Mr. Russell, as chairman of the district board, and Mr. Hansen, the president of the Standard Steel Car Co. Lawyers had been brought into the case. They had been over to the office when the presentation of the claim was made and there had been passed rumors in regard to a Court of Claims adjustment in the matter. Mr. Russell said that he did not want to make any settlement by himself with one member of the Standard Steel Car Co., and after my first meeting with Mr. Corey and Mr. Jenks, I felt that I ought not to continue the settlement that way, so I said "the best thing for me to do is to get the chief of the office on this thing and have stenographic notes taken and a record kept of just what was said at the meetings of the negotiations which were carried on, so that when anything comes up in regard to this thing, we would know just what was said."

Mr. GRAHAM. Why did you feel that if you met with Mr. Corey and Mr. Jenks that you could not settle the claim?

Col. HUGHES. I did not feel it any more then than right along.

Mr. GRAHAM. You said that you thought that after that meeting—

Col. HUGHES (interposing). I said that I did not feel any more after that meeting than I did before.

Mr. GRAHAM. What created that impression in your mind; what made you feel that way? You did not get conscientious?

Col. HUGHES. I can not express it any more definitely than I have.

Mr. GRAHAM. Something must have occurred at that meeting, and you got the idea in your mind that you would not be able to settle with these gentlemen.

Col. HUGHES. No; I thought, on the other hand, that we could arrive at a settlement. We had heard from Washington that we were going to have a great deal of difficulty with the settlement. That this firm had representatives talking with representatives of the Ordnance Department, and then they would come out and talk with us. And we did not feel that we knew all that was going on; and it was just in view of the whole settlement that I had a hunch that I should have somebody besides myself in at the meetings and have stenographic notes taken.

Mr. GRAHAM. Well; will you show me the notes of this meeting, where you did not keep stenographic notes, but where brief records were made of the arguments of the day—that you mentioned to Mr. Jefferis? That was the day when these headings were changed and the amounts were changed.

Col. HUGHES. I do not know, but I have a copy of that. It is in Mr. Graves's office, down town.

Lieut. Col. F. A. HAWKINS, United States Army (interposing). Mr. Graves has his long-hand notes. I saw them two or three days ago.

Mr. GRAHAM. Colonel, why did you depart from your rule at that meeting?

Col. HUGHES. At Hammond?

Mr. GRAHAM. At that meeting where they changed these headings?

Col. HUGHES. Oh, yes.

Mr. GRAHAM. Why did you depart from your ordinary rule and not make stenographic notes?

Col. HUGHES. This was a meeting staged by the War Department officers. They came out there to approve or disapprove all of what we had done, and it was entirely up to them to state whether there were any stenographic notes to be taken or not. That is it.

Mr. GRAHAM. You had stenographic notes taken of the meeting in Chicago the next day?

Col. HUGHES. There was no meeting. They simply came in there and signed the papers to close the transaction. They simply sat around the office until the stenographers could prepare the necessary form. A lawyer was present. The settlement of the contract was signed. As soon as the papers were prepared they signed them and went home again.

Mr. GRAHAM. By whom was these men represented—what lawyers—King & King? You say the lawyers prepared the papers. Did they have attorneys there, or were they for the War Department?

Col. HUGHES. It was Maj. Carnduff, who is with the department.

Mr. GRAHAM. Did the Standard Steel Car Co. have attorneys present at that time?

Col. HUGHES. No; not at all.

Mr. GRAHAM. Well, I think that is all. Is there anything that you care to add to your testimony that I have not asked you about, Colonel?

Col. HUGHES. No.

Mr. JEFFERIS. Calling your attention to this final award signed by the three claims boards, shown in our printed record at page 1696, can you state who is the author of that? Who really had charge of the preparing of that?

Col. HUGHES. That was prepared in the Chicago District Ordnance Office by Maj. Carnduff, who is the lawyer I referred to. and Mr. Mansfield, the secretary of the claims board.

Mr. JEFFERIS. I notice there that schedule B has reference to certain matters, and, among other things, requisitions that come in or are in by September 6, which would be the date that that was signed. Did these different officers there that signed that know what requisitions had been made by the Watertown Arsenal and other arsenals?

Col. HUGHES. That was discussed, more or less, at the meetings at Hammond the day before, and various requisitions were shown to the War Department officers there, and I think that we had a very clear understanding of the status of the material wanted by the Watertown and other arsenals.

Mr. JEFFERIS. We understood from different instances in Chicago that Watertown and Rock Island Arsenals were not really given the opportunity to make requisitions for what materials they wanted out of that that the Standard Steel Car Co.—that that was not clearly known by anybody there. Was there any date at which these arsenals were to make requisitions subsequent to that date?

Col. HUGHES. Yes; there was a very clear understanding. During the year since the armistice and even while the 200 carriages were being completed after the armistice, the Manufacturing Division here in Washington, the Artillery Division sent word to the various arsenals to visit these various plants and choose some of the materials and facilities on hand—those things that they wanted. For months past representatives from Rock Island and Watertown Arsenals and various other Government arsenals had come up and selected materials and machinery they wanted and tagged and marked some and a great many machines and considerable material had been shipped. Watertown was charged with obtaining the spare and replacement parts for carriages. They had submitted a great many requisitions which had been filled, but in order to insure this I sent a telegram to Watertown telling them that we wanted to close this thing out and that any additional requisitions that they wanted to submit should be submitted before October 1. And further, they sent a great many of these requisitions out to the plant.

And Brauer, who has been handling these lists, came out to the plant and brought with him the lists of spare and replacement parts and went over the whole thing with the Government employees, and I think with Jenks, and explained what he wanted; and I saw him in Chicago—he came up to my office and said that he had asked for everything that he wanted.

Mr. JEFFERIS. When did he do that?

Col. HUGHES. When did he do that?

Mr. JEFFERIS. Yes.

Col. HUGHES. That was before October 1; I do not remember just what date it was.

Mr. JEFFERIS. Had one of these arsenals at one time asked for that building out there.

Col. HUGHES. Not that I know of.

Mr. JEFFERIS. Had you gone over particularly all of the requisitions, Colonel, or not.

Col. HUGHES. No; I had not.

Mr. JEFFERIS. Do you know whether the Standard Steel Car Co. had gone over the requisitions?

Col. HUGHES. Undoubtedly they had—I do not know that. We had Government officials at the plant whose duty it was to receive these requisitions and ship the articles.

Mr. GRAHAM. Now, Col. Hughes, is there any other statement you wish to make concerning any other matters pertaining to this particular settlement?

Col. HUGHES. I can not think of anything right now that I care to say; I may have something later on, after you have examined other witnesses.

Mr. GRAHAM. All right.

Mr. JEFFERIS. Colonel, in our printed record, page 1980, there appears a letter signed by C. L. Tewksbury, major, Ordnance Department, United States Army, directed to the Chicago district ordnance office, Cost Accounting Section, for the attention of Mr. Charles R. Miller, supervisor, containing these two paragraphs:

Receipt is acknowledged of your letter of September 22, with inclosures delivered to this office by Col. Hughes.

2. In this conference with the writer, Col. Hughes emphasized the fact that it was the desire of the War Department Claims Board to settle the claim of the Standard Steel Car Co. as soon as possible without the great delay which would be involved in the complete audit of the accounts and the checking of inventory. I stated to Col. Hughes, in view of this fact, if the claims board desired to accept the responsibility of making such a settlement, the cost accounting section would not continue its work at this plant.

Did you see Mr. Tewksbury personally?

Col. HUGHES. Yes.

Mr. JEFFERIS. What is the fact as to you stating to him that it was the desire of the War Department Claims Board to settle that claim without the delay involved in a complete audit?

Col. HUGHES. As I said, I believe yesterday, I brought to Washington a letter with me from Mr. Blakey, either addressed to Mr. Tewksbury or to Mr. Miller, and forwarded by Mr. Miller by indorsement, in which they raised the point as to the inadvisability of continuing the work of auditing the work for the purpose of determining the unit cost of each carriage.

Mr. JEFFERIS. I know, but that does not answer this phase of it: "At this conference with the writer, Col. Hughes emphasized the fact that it was the desire of the War Department Claims Board to settle the claim of of the Standard Steel Car Co. as soon as possible," etc., without delay or audit.

Now, do you state to Mr. Tewksbury that it was the desire of the War Department Claims Board to settle that without an audit and in accordance with what I have read you?

Col. HUGHES. I can not state positively just what my words were to Major Tewksbury, but I remember talking over with Mr. Dorr

a question of the expense of continuing the organization at the plant in its present condition, and I am not positive whether I mentioned to him this question of determining the unit cost per carriage. But, as I remember it, Mr. Dorr said that he thought it would be very advisable to have the claim settled and cut out that running expense at the plant and that is probably what Maj. Tewksbury refers to when he says the War Department Claims Board wanted to cut out that expense.

Mr. JEFFERIS. Now, what is the fact? What did you state about the War Department Claims Board, and what is the fact as to the War Department Claims Board wanting to have this claim settled? Did they give you any specific directions or anything of the kind to settle this claim? I am talking of the big board?

Col. HUGHES. They gave me no instructions at all.

Mr. JEFFERIS. Is Maj. Tewksbury in error, or what is it, when he says that you emphasized the fact that it was the desire of the War Department Claims Board to settle the claim of the Standard Steel Car Co.?

Col. HUGHES. Undoubtedly from my conversation with Mr. Dorr I got the impression of opinion from him that it would be to the very great advantage of the Government to settle this claim as promptly as possible.

Mr. JEFFERIS. Did he know at that time that it was a \$3,000,000 agreement?

Col. HUGHES. I do not know—that question has been asked before, Mr. Jefferis—I do not know whether in my conversation with Mr. Dorr that morning I mentioned the lump-sum offer or not. I simply said that as far as the district claims board was concerned we had made up our minds as to what we thought we could offer to the Standard Steel Car Co. and wanted to get as rapid action on the thing on the part of the War Department officials as possible. I went to Maj. Tewksbury's office for the purpose of delivering this letter of Mr. Blakey's, at Mr. Miller's request, who said, "You are going to Washington. Will you take this letter down?" I said, "I most assuredly will." Mr. Miller when he presented that letter told me of the very great difficulty which the auditing department would encounter if it attempted to go through all of the cost records out there for the purpose of determining a unit cost, and it is perfectly possible that in the course of that conversation I referred to the fact that I had just talked to Mr. Dorr, who had told me that he considered it advisable to settle the claim and as promptly as possible to cut out any additional overhead expense at the plant.

Mr. JEFFERIS. I take it from this letter of Maj. Tewksbury, the subsequent paragraph of it, that the accounting section was to go on and find out the unit cost. That is found in paragraph 4. But this paragraph 2 that I read appears to me to have no reference to paragraph 4. Paragraph 4 reads:

If it is the desire of the War Department Claims Board to settle this contract by negotiation, it will, of course, be necessary for your office to submit the final unit costs in accordance with instructions, and you are therefore authorized to prepare such a statement of expenditures on this contract as you can prepare from the figures which you have already compiled and those which you will be able to secure from the claims board, covering the payments made by the board in final settlement of the claim.

In other words, as I view that, the unit cost was to be ascertained afterwards. But this paragraph 2, written September 25, 1919, seems to state here in positive language:

In this conference with the writer Col. Hughes emphasized the fact that it was the desire of the War Department Claims Board to settle the claim of the Standard Steel Car Co. as soon as possible without the great delay which would be involved in the complete audit of the accounts and the checking of inventory. I stated to Col. Hughes, in view of this fact, if the claims board desired to accept the responsibility of making such a settlement, the cost accounting section would not continue its work at this plant.

Col. HUGHES. I do not remember of discussing the question with Maj. Tewksbury or not as to who would accept the responsibility for the claims settlement.

Mr. JEFFERIS. Did he state to you?

Col. HUGHES. I say I do not remember discussing it with him at all.

Mr. R. H. HAWKINS. When I testified about three weeks ago, following Col. Reeves, I stated that the Standard Steel Car contract CF-331 originally called for 964 carriages and was reduced to 300 carriages in March. I want to correct that by stating that that reduction was under date of December 10, 1918, later reduced by extension of 200 carriages on March 25, 1919. I had the wrong date of that reduction to 300.

Col. HUGHES. You see the subject of this letter from Maj. Tewksbury, dated September 25, is "Cost of 200 carriages and work in process, Standard Steel Car Co. — CF-331." That was the subject of my conversation with Tewksbury at Miller's request—the question as to the advisability of continuing the work of attempting to determine the exact unit of cost per carriage. As I remember it, at that time he told me and also Mr. Miller had told me previously—that this work of determining unit cost was work which had been called for by the manufacturing divisions who wanted to get that information so that when additional contracts for similar material were placed they would have some basis on which to act, and we had felt for some time in the office that nothing but an engineering estimate could ever be obtained, and then when the cost accountants came in with a similar statement that they thought it would be impracticable or inadvisable to attempt to do that work and they said they could not get it exactly even if they did work on it a long time, that it would be advisable for me to come to Washington with this letter of Miller's and talk to Maj. Tewksbury about it personally, and that was the subject of our conversation. That was the reason I went into his office. As I said before, it is barely possible, having just come from Door's office that morning I did emphasize the great advisability of stopping any unnecessary work at the plant. That is all I have to say.

Mr. JEFFERIS. It is apparent from that language of Maj. Tewksbury to me, that you must have emphasized the desire of the War Department Claims Board to settle that without the formality of an audit.

Col. HUGHES. No, sir. I think that assumption is an entirely incorrect one. I am perfectly honest in my statement that I went there on Miller's request to talk to Maj. Tewksbury about the cost of the work of determining the exact cost of a unit. I do not think—and

I am almost positive—that I did not discuss this claims settlement with Maj. Tewksbury at all. I would have no reason to discuss it with him. I may have said that I would come down to Washington with the object in view of getting the War Department officials to approve what we had done out there. But I am positive that I did not discuss the claims settlement and the question of auditing the claims settlement with Maj. Tewksbury at all. I am willing to swear to that. I went in there to discuss the question of determining the unit cost.

MR. GARRETT. That is on the completed carriage as I understand you?

COL. HUGHES. Yes, sir. You see they had ordered 964 carriages, and then canceled it to 300 and then to 200, and the auditors felt that the Washington ordnance office here was asking something of them that was almost impossible when they said "We would like to know what each one of those carriages cost."

TESTIMONY OF MR. E. E. ARISON, CHICAGO, ILL.

(The witness was duly sworn by Mr. Graham.)

MR. GRAHAM. Col. Arison, I will ask you, as I have asked Col. Hughes, in view of the situation here, whether you voluntarily appear before this committee and waive any immunity that may accrue to you by virtue of your testimony here?

MR. ARISON. I do.

MR. GRAHAM. The committee is quite willing and not only willing but anxious to know anything you know about the Standard Steel Car Co. contract, and want to go into it as fully as we can with you. However, if we do not cover all the territory, you are at liberty at any time to suggest anything else that may occur to you.

When did you first go to Chicago in connection with the war claims board?

MR. ARISON. I was located in Chicago, sir, at the time of the armistice.

MR. GRAHAM. When did you go into the Army, originally?

MR. ARISON. The date of my commission was October 6, 1917.

MR. GRAHAM. What department were you commissioned in?

MR. ARISON. In the Ordnance Department.

MR. GRAHAM. As what?

MR. ARISON. As major.

MR. GRAHAM. And how long did you continue in the service?

MR. ARISON. Until October 25, 1919.

MR. GRAHAM. Are you in the service now?

MR. ARISON. No, sir.

MR. GRAHAM. Are you connected with the Chicago claims board now?

MR. ARISON. Not officially, at the present time; no, sir.

MR. GRAHAM. Are you connected with it in any capacity at all?

MR. ARISON. No, sir; except I am at present here available to you gentlemen.

MR. GRAHAM. But you have no official connection with them in any way, either as advisor or expert or any other way?

MR. ARISON. I have not received any appointment since my discharge; no, sir.

Mr. GRAHAM. What was your business, Colonel, before you went into the Army?

Mr. ARISON. Industrial engineer.

Mr. GRAHAM. With your office where?

Mr. ARISON. In Chicago.

Mr. GRAHAM. Were you in any partnership there?

Mr. ARISON. I was a member of the Emerson Co. of New York. I had charge of their western business.

Mr. GRAHAM. And were you doing work of that sort of employment in factories?

Mr. ARISON. Generally so-called, but my work, Mr. Graham, was more largely that of a business counsellor and organization and reorganization of plants.

Mr. GRAHAM. What did you do in the Ordnance Department? What were your duties?

Mr. ARISON. I was first called to the Ordnance Department, from the Society of Industrial Engineers by Maj. Going—at that time Mr. Going—to assist in the work of the production section, and was assigned by him to the general direction of the field men who were investigating the plants which were endeavoring to secure contracts, or which were being considered by the Government for contracts, to determine their possibilities and their fitness.

Mr. GRAHAM. In this capacity did you have anything to do with the Standard Steel Car Co.?

Mr. ARISON. No, sir.

Mr. GRAHAM. Had you ever been employed by the Standard Steel Car Co.?

Mr. ARISON. No, sir.

Mr. GRAHAM. You had never done any work for them?

Mr. ARISON. No, sir.

Mr. GRAHAM. Were you in the standing employ of any manufacturing interests of any kind at that time; did you have as your clients any particular people?

Mr. ARISON. At the time I went into the service?

Mr. GRAHAM. Yes.

Mr. ARISON. I had the direction of contracts which our company had, chiefly on the Pacific Coast, with the lumber industry.

Mr. GRAHAM. Well, how soon did you have anything to do with the contract of the Standard Steel Car Co. for the building of these Howitzer carriages?

Mr. ARISON. I was ordered to Chicago on April 22, 1918, by Gen. Jamison, with instructions that I was to go there and confer with Mr. Russel, the newly-appointed chief, with the possibility that I would be his assistant. The office was very small at that time. I was fortunate enough to meet with Mr. Russel's approval and was transferred there.

We immediately occupied ourselves with getting acquainted with the contracts under the jurisdiction of the district. Among those, the most important one, was that of the Standard Steel Car Co.—important because of the magnitude of it. By conference, and from reports, we gained the impression that the work was not progressing as fast as the demands of the war made us feel it should; and sometime during the month, between May 1 and June 1—I do not recall

st exactly when—we decided that we would have a prominent manufacturer attached to our office and sent to this plant to make a report to us of conditions there. In that connection, Mr. Lyons, who was another one of Mr. Russel's assistants, and who was very instrumental in attracting to the service men of experience, had secured the service of Mr. James Church, who was formerly works manager of the Allis-Chalmers Co., and who was then attached to the Milwaukee suboffice as a production engineer. It was our opinion that Mr. Church would be just the man to go out there, by reason of his wide manufacturing experience and ability, to spend a week studying the situation, and then to report to us, so that we could see what could be done from the Government's side to facilitate the work. During the course of that week, Mr. Jesse A. Vail was also brought into the department by Mr. Lyons. He was a man with large executive ability, and we decided to couple the two men.

We thereupon sent for the officials of the Standard Steel Car Co., and M. Hansen and Mr. Cory, Mr. Jenks, and I believe Mr. Christensen, their chief engineer, came to the office on West Jackson Boulevard for a conference, and Mr. Russel informed them that we were sending out two prominent manufacturers to stay with them a week and make a report—I am wrong in saying that at this meeting we advised them that. We had advised them that we were sending these men, and then the officials of the Standard Steel Car Co. came into the office and protested sending them, saying that they thought it would interfere with their work; they felt that had been harassed and hampered by delays and by the Government procedure up to that time, and protested very vehemently against our sending these men.

Mr. GRAHAM. Who was doing the protesting?

Mr. ARISON. I think Mr. Hansen voiced or spoke for the company. But, nevertheless, we insisted on sending them. They went out and stayed—they had been there approximately 10 days when Mr. Hansen and his assistants again waited on us with the statement that they understood we were going to withdraw these men, and the very strong request was made that we permit them to remain there, because in that time they had been of great assistance to them in helping to straighten out difficulties. That, I think, is the first instance and the occasion for the instance that I came in touch personally with the Standard Steel Car contract.

Mr. GRAHAM. It was in September, you say?

Mr. ARISON. It was in the month of May, 1918.

Mr. GRAHAM. From that time to the time the armistice was signed, did you go out there very often?

Mr. ARISON. I visited the plant I should think three times during the summer, once with Mr. Russel and Gen. Williams and once with Gen. Jamison and Mr. Russel, and once with Gen. Horney of the Field Service.

Mr. GRAHAM. Were you there when the Standard Electric Contracting Co., or engineering company—I have forgotten which the proper designation is—got into trouble about some presents they had given to some of the employees?

Mr. ARISON. At the Chicago office?

Mr. GRAHAM. Yes.

Mr. ARISON. Yes, sir. The way in which—as I recall it, the Standard Electric matter came to my attention first was through a report that the original allotment, amounting, I think, to \$70,000 had been exceeded and that there was not enough money allotted for that specific purpose to pay the amounts of the bills which the accountants then stated had been audited to an amount beyond that; and then, as I recollect it, although this will be largely hearsay evidence—my recollection is that the matter was taken up by the office there, and then later I learned that the Military Intelligence had delved into the matter, and still later these articles came out. But, personally, I did not know anything of the definiteness—and do not to-day—of the charges made.

Mr. GRAHAM. Do you know whether this item in the official award of \$121,585.57, commitments for materials or services has anything to do with that Standard Electric matter?

Mr. ARISON. It was my understanding that it was the unpaid balance which the auditors—if I am permitted, I will go back in that a little—at the time of the discovery of this excess over the allotment, the matter was gone into thoroughly, and it was deemed that the amount expended was growing too large.

Mr. GRAHAM. Who went over that?

Mr. ARISON. That was just by general—I can not say, individually, who may have first reached that decision; it was the general opinion of our office there.

I may interpolate there, Mr. Graham, that our office worked not as individual units, but very particularly so, more than I have ever seen, more than in any particular organization, as a group; there was seldom anything done in the office that Mr. Lyons, Mr. Russel and myself, or another group were not a part and party of. Mr. Lyons was the manager of plant facilities, I was the production manager, and Mr. Russel was the chief, and the three divisions were more or less correlated at all times. So that the opinions gained that the expenditures were in excess of the allotment brought out a study of the contract, and it was our opinion that the contract permitted of too wide a leeway, and a combination of all the circumstances resulted in the Standard Steel Car Co. being urged to terminate the contract, which they did, as I understand it, and the result of which forced the Electric Co. into bankruptcy, and they completed the work themselves. At the time of the termination of the contract a complete audit was made, as I understand, from the records of the entire transaction and expenditures actually made to date, shown to be, as I recall, approximately \$188,000 plus, of which I believe the only amount that had been paid would be the amount allotted, some \$70,000.

Mr. GRAHAM. To summarize, the auditors or accountants refused to approve the balance?

Mr. ARISON. I do not think that is a correct statement. The auditors could not approve it because there was no allotment out of which to pay it. I think had there been an allotment the account would have gone through and been paid in the usual course without any question.

Mr. GRAHAM. Did they report on it?

Mr. ARISON. In connection with the other Government officials at the plant; yes, sir.

Mr. GRAHAM. Do you have that report?

Mr. ARISON. Sir?

Mr. GRAHAM. Do you have a copy of that report?

Mr. ARISON. I do not know that there was any formal written report of that kind.

Mr. GRAHAM. I am very much of the impression that the testimony hertofore taken before this committee shows some place along the line they had disapproved the balance of those items.

Mr. ARISON. I think that is correct, Mr. Graham; eventually that they disapproved of it. But at the initial investigation into this situation it came up as a result, according to my impression, of there not being sufficient money allotted; in other words, the opinion of all the Government officials at that time was that the original estimate was either not sufficient to cover the work contemplated or the contract was not a proper contract.

Mr. GRAHAM. But, anyhow, when you came to the final settlement, you put that \$121,000 in it, did you not?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. When were you appointed a member of the Chicago district claims board, Mr. Arison?

Mr. ARISON. I can not recall the exact date, Mr. Graham, it was. Subsequent to the armistice there was a period of about a month in which there was absolutely nothing doing. I got very restive after the activity of the previous year and requested a leave of absence and secured the same for 10 days, and took a trip to rest up. When I returned, or shortly after I returned, as I recall it, Mr. Russel asked me to be a member of the board. I wished to be relieved so that I could get back to my industrial work; but he urged on me the responsibility that I owed, due to the fact that I had been intimately associated with him in the supervision of all these contracts, and that it was a moral obligation on me to remain and assist him in the cleaning up of the work that the Government was then planning. He put it up in such a way that I could not refuse, and I consented to remain on, and was appointed in the course of time a member of the board.

Mr. GRAHAM. When did you first have anything to do with the settlement of claims of the Standard Steel Car Co.? Do you remember what the first notice of that was?

Mr. ARISON. I could not recall that date exactly. But I can say this: That the division of the Standard Steel Car Co. claim in its units commenced within a very short time after the organization of the claims board, for the reason that there were a tremendous number of subcontracts involved, and for a period there, as you may recall, the general situation seemed very serious on the labor problem, the problem of keeping labor employed, and we were urged to assist in every way in the settlement of subcontrats, so that the business of the country could go on.

Mr. GRAHAM. Now, tell us more about that, Mr. Arison. You say you were "urged." Urged by whom?

Mr. ARISON. We were urged by the general public opinion, Mr. Graham. It was a feeling all over the country, it was in the papers, and we had our official direction from the Chief of Ordnance.

Mr. GRAHAM. That is what I am talking about. I am not talking about public opinion. Of course, we can judge that as well as you.

But what I want to know is whether you got any orders from your superiors or instructions to the effect you have now detailed?

Mr. ARISON. We were continually receiving urgings in the form of letters and so on to facilitate the settlement of the subcontractors as much as possible.

Mr. GRAHAM. For what general purpose?

Mr. ARISON. Sir?

Mr. GRAHAM. For what general purpose was it? What was the general purpose, as expressed to you now by the War Department, as to the general objects to be obtained by the settlement with the subcontractors promptly?

Mr. ARISON. I could not recall definitely the exact wording.

Mr. GRAHAM. Was it to keep labor employed, or was it to get money back into the industries, or what was it for?

Mr. ARISON. As I understood it, it was in the Government's interest—in the broad, general interest of the public.

Mr. GRAHAM. In any event, your board felt, and you felt as a member of it, that the Government was insisting upon speed in getting these settlements made; is that true?

Mr. ARISON. No, sir; not "speed."

Mr. GRAHAM. Well, what then?

Mr. ARISON. Our very best judgment to conserve the Government's interests, which included not only getting the industries back but not at an expensive cost.

Mr. GRAHAM. Why do you say, then, if speed was not an element of it, that they were "urging" you, and that you received repeated letters? Did you take those as indications that the Government wanted you to move with expedition, or did you not?

Mr. ARISON. I took it as an indication of the tremendous importance of the matter in hand, Mr. Graham.

Mr. GRAHAM. Can you answer the question I put to you directly, or can you not? Mr. Stenographer, read it.

(The stenographer thereupon read as follows:)

Why do you say, then, if speed was not an element of it, that they were "urging" you, and that you received repeated letters? Did you take those as indications that the Government wanted you to move with expedition, or did you not?

Mr. ARISON. I am trying to get at the atmosphere surrounding that board?

Mr. GRAHAM. Did you take that as an expression of the desire of the Government to settle these things speedily, or did you not?

Mr. ARISON. That is a very hard question to answer the way you frame it, Mr. Graham?

Mr. GRAHAM. You know how you felt about it, do you not?

Mr. ARISON. I did not consider it in terms of speed; no, sir.

Mr. GRAHAM. What did you consider was the idea of the Government? What did you think the Government wanted you to do, as evidenced by these instructions that you got from time to time and that "urging" that you spoke about—urging means something?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. Urged to do what?

Mr. ARISON. Urged to reach a settlement of the tremendous problems that were raised by the termination of the war and the general world conditions.

Mr. GRAHAM. That was your business to do that, was it not?

Mr. ARISON. Sir?

Mr. GRAHAM. The settlement of them; that is what you were there for?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. Besides settling, what was the Government urging you to do—anything?

Mr. ARISON. No, sir. They were urging for a settlement, but I did not consider they were urging—I think I may explain, if you will permit me.

Mr. GRAHAM. Go ahead.

Mr. ARISON. That to my attitude of mind would mean to make an efficient settlement of these problems, and efficiency considers the least possible delay with proper performance.

Mr. GRAHAM. Well, you spoke also of the fact that you had labor employed. Was the Government urging you to do that?

Mr. ARISON. To keep labor employed?

Mr. GRAHAM. Yes.

Mr. ARISON. Only in the most general terms, as I recall it.

Mr. GRAHAM. What are you giving us, then, when you say that that was the idea, to keep labor employed? Are you giving us impressions you got from the public or are you giving us what your superiors in office told you?

Mr. ARISON. I understood it to mean, Mr. Graham—and it meant to me—their method of trying to impress me with the importance of the task to which I had been assigned.

Mr. GRAHAM. Then, why do you say they wanted to keep labor employed. Who told you that?

Mr. ARISON. I do not recall that anyone told me that.

Mr. GRAHAM. Why did you interpolate it here in your remarks, then?

Mr. ARISON. I can only give you my mental atmosphere at the time, which was naturally created by keeping abreast with the topics of the times and the relations to my work.

Mr. GRAHAM. Yes, sir; but you did not get it from any of your superiors in office.

Mr. ARISON. I could not say definitely whether I did or did not.

Mr. GRAHAM. Did you or did you not?

Mr. ARISON. I could not say definitely whether I did or did not at this time. I do not recall definitely receiving such instructions.

Mr. GRAHAM. What were these repeated urgings that you got? Can you tell us about any specific instance? What did you get from your superiors? You evidently got something?

Mr. ARISON. We got general routine instructions continually, sir, all of which are a part of the record which I could not recall.

Mr. GRAHAM. We have both of the general orders in our records that were issued. What else did you get?

Mr. ARISON. I do not recall anything else particularly.

Mr. GRAHAM. Coming down to that proposition that the Government was urging: The Government was not urging you to do anything, was it?

Mr. ARISON. Some individuals might not consider it an urge. I, in my effort to do the very best that was in me in respect of the duties assigned to me, did consider it an urge; yes, sir.

Mr. GRAHAM. You do not recall at this time ever having received any letters or instructions of any kind except the printed instructions that came from time to time, do you?

Mr. ARISON. No, sir.

Mr. GRAHAM. How much did you have to do with negotiating this settlement of the Standard Steel Car Co., personally?

Mr. ARISON. I sat in, as Col. Hughes has testified, at his request in the conference with Mr. Graves, after his arrival from Washington with the formulated certificate C, and with Mr. Cory.

Mr. GRAHAM. Did you know Col. Hughes was coming?

Mr. ARISON. Col. Hughes had been at the office for some time, sir.

Mr. GRAHAM. Did you know he was to take up this claim?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. How did you know that?

Mr. ARISON. Mr. Russel advised me that Col. Hughes—I occupied the office next to Mr. Russel—he came in and advised me that Col. Hughes was coming to Chicago, assigned there by the Chief of Ordnance, and that he wished that I would arrange so that Col. Hughes could share that office with me in order to give him a place—give him a desk and a place to carry on such work as he might take up.

Mr. GRAHAM. Did he tell you what the colonel was to do?

Mr. ARISON. Not at that time; no, sir.

Mr. GRAHAM. Did Col. Hughes have any regular task or duty when he first came there?

Mr. ARISON. No, sir; not so far as I know, at least.

Mr. GRAHAM. How long did he remain before he had anything to do?

Mr. ARISON. My recollection is that shortly after his arrival Mr. Russel and I, in a conference one day—we occupied the same office—I had the office next to his, but spent probably half my time at his office—he asked me if I did not think it would be a nice courtesy to the colonel to make him a member of the board, and I agreed with him. He therefore recommended to the Chief of Ordnance or the Ordnance Claims Board that Col. Hughes be made an alternate member of the board, and therefore be permitted to sit in, in order to get the atmosphere of the office, get the—see how the claims were handled and be available for such help as in his experience in the original negotiation of contracts might afford.

Mr. GRAHAM. How many members of the board did you have at that time?

Mr. ARISON. There were five regular members of the board.

Mr. GRAHAM. How many alternates?

Mr. ARISON. And I believe at that time there was one alternate, Maj. Duryea.

Mr. GRAHAM. How many advisers and technical experts did you have attached to that board at that time?

Mr. ARISON. I could not say the exact number, sir. The men of the force who had still remained on after the armistice—

Mr. GRAHAM. Do you know how big a force they had there?

Mr. ARISON. I could not give you the numbers; no, sir.

Mr. GRAHAM. Well, not exactly, but approximately.

Mr. ARISON. Well, we had—in the office we had what we called the production branch, and I should estimate there were pretty close to

OO experienced, practical men attached to that. Then we had the inspection division, which was the field men, as I recall, which ran somewhere around 2,500 men; and then the accountants.

Mr. GRAHAM. How many accountants did you have?

Mr. ARISON. I could not tell you, sir.

Mr. GRAHAM. Could you estimate it approximately?

Mr. ARISON. No, sir.

Mr. GRAHAM. Well, you had a good number of them, did you not?

Mr. ARISON. I should imagine there was a considerable number; yes, sir. And Mr. Miller—appreciate, Mr. Graham, that we were acting in an executive way and we had the heads of these various departments—and Mr. Miller was the head of the accounting department, and he could tell you how many accountants, while I would be guessing at random.

Mr. GRAHAM. Did you keep all of these employees after the armistice?

Mr. ARISON. No, sir; they gradually dropped out.

Mr. GRAHAM. What did you do, for instance, with these 2,500 field men?

Mr. ARISON. That came under the chief of the inspection division, with whom I had no dealings whatever—I had no supervision.

Mr. GRAHAM. Do you know how many men you have employed out there now—employees of all kinds?

Mr. ARISON. No, sir.

Mr. GRAHAM. Can you give it within a hundred?

Mr. ARISON. No, sir; I have not seen a pay roll of the entire district in two or three months anyway.

Mr. GRAHAM. Do you suppose there are a thousand people there?

Mr. ARISON. I really could not say, sir; I have been away from the office entirely for over five weeks, and I do not know how many there are.

Mr. GRAHAM. All right. Do you know how many were there when you left?

Mr. ARISON. No, sir; I could not say how many there were there when I left.

Mr. GRAHAM. Then Col. Hughes was made an alternate member of the District Claims Board. Mr. Palmer testified, as I remember his testimony, that this claim laid on his desk a couple of weeks before anything was done with it, and then it was suggested that the claim be turned over to Col. Hughes for adjustment. Did you give those directions to Palmer; do you remember?

Mr. ARISON. Not that I recall; no, sir.

Mr. GRAHAM. Do you know how the claim was finally turned over to Col. Hughes?

Mr. ARISON. The claim was presented, Mr. Graham, in six copies, as I recall it. The original and one duplicate always went to the files for preservation, one for the file which would ultimately go to Washington, and another for the office file. The other four copies are available for investigation. I do not know to whom those were distributed. I know there was one copy part of the time in my office and part of the time in Mr. Russel's office. Mr. Palmer, I believe, had another copy; just how long he had that copy I could not say.

Mr. GRAHAM. Was Col. Hughes detailed to look after this particular claim?

Mr. ARISON. Mr. Russel advised me that he thought that the claim was important enough that a member of the board should devote his entire attention to an analysis of it, and asked me what I thought of asking Col. Hughes to take up that work, and I told him I thought it was an excellent idea.

Mr. GRAHAM. Did Col. Hughes, from that time on, have the settlement of this claim to make himself?

Mr. ARISON. Not the settlement of the claim, no, sir; the analysis of it.

Mr. GRAHAM. Did he have the negotiations?

Mr. ARISON. It was not specifically stated that he was to have the negotiations; he was to have the analysis and act as our committees did act in the organization who analyzed all claims—negotiated the claims and submitted recommendations to the board for their final action.

Mr. GRAHAM. Do you mean that you appointed him as a committee?

Mr. ARISON. That was my understanding of the situation; yes, sir.

Mr. GRAHAM. Were any minutes of that kind ever made?

Mr. ARISON. We never made minutes of such actions at all.

Mr. GRAHAM. Did anybody else act with him?

Mr. ARISON. With Col. Hughes?

Mr. GRAHAM. Yes; on the committee, if it was a committee.

Mr. ARISON. More or less informally I was analyzing this claim. Mr. Russel was; Mr. Lyons was—at all times; it was foremost in our minds.

Mr. GRAHAM. Oh, then, you were doing that as a member of the board?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. Is it the ordinary custom to appoint a committee of experts, some of whom may not be members of the board and usually are not members of the board, to go into the claim and go through it and make a report to the board?

Mr. ARISON. It is not the ordinary custom. It was my suggestion, and I think the Chicago district was the first to adopt the plan to organize advisory staff committees for that purpose.

Mr. GRAHAM. Yes. Were you using that system at that time?

Mr. ARISON. Yes, sir; we were using that system.

Mr. GRAHAM. What was the regular staff committee that would have naturally had charge of this claim?

Mr. ARISON. Maj. Schenck and Capt. Carver and Mr. Robinson.

Mr. GRAHAM. What was their committee called?

Mr. ARISON. It was called the cannon and carriage committee.

Mr. GRAHAM. Why were they not asked to pass on this particular matter, do you know?

Mr. ARISON. Maj. Schenck and Capt. Carver were released from the service, leaving Mr. Robinson, who had been the inspector at one of the plants, the sole member, with a great volume of claims still in his hands.

Mr. GRAHAM. Were there other men who were available to act as members of the committee?

Mr. ARISON. No, sir; that was our great difficulty there. Every committee we had was just loaded to the guards with the work, and at least 50 per cent were urging us all the time to let them go.

Mr. GRAHAM. Did you have anything to do with the fixing of the fixed estimate of costs in the first place of these carriages?

Mr. ARISON. Yes, sir. I might say that in an ex parte way I took the figure of \$53,000, which, as I recall it, the Standard Steel Car contract was estimated when I first heard of it, and applied my experience figure, as I called it, of 66 $\frac{2}{3}$ per cent, which had been determined by a number of year's study was the—in my mind at least—measure. To illustrate, if I may: Studies of hundreds of thousands of workmen have indicated that working on day work they will perform work two-thirds of what they will with a definite incentive for that work; and I have used that a very great deal as a preliminary figure to determine the line along which I should work in investigating plants and analyse all businesses, and I just reached that rough figure, on the \$35,000 in that way—two-thirds of \$53,000.

Mr. GRAHAM. What did you do with that figure, anything?

Mr. ARISON. No, sir; except discuss it with the—that came as a result, I might say, of Mr. Russel having asked Mr. Vail and Mr. Church to make a manufacturing estimate of the cost of those carriages.

Mr. GRAHAM. Did you give them the estimate they finally did use?

Mr. ARISON. No, sir.

Mr. GRAHAM. They finally used \$35,000?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. You had nothing to do, however, with the fixing of the price?

Mr. ARISON. Nothing whatever. I had merely satisfied myself as to the figure.

Mr. GRAHAM. That was done by Col. Hughes. Was that afterwards certified by your board?

Mr. ARISON. No, sir.

Mr. GRAHAM. Were you ever asked to pass on it?

Mr. ARISON. We were not a board at that time and we had no jurisdiction in the matter.

Mr. GRAHAM. That is true. That was long prior to the armistice?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. Did you sit in on the meetings at Hammond and Chicago?

Mr. ARISON. Not at Hammond; no, sir.

Mr. GRAHAM. Where were you at that time?

Mr. ARISON. I was in Chicago.

Mr. GRAHAM. How much of these negotiations now with the Standard Steel Car Co. about this claim, up to the time of the final signing of the award, did you have to do with?

Mr. ARISON. I had to do with all the conferences of which you have copies of the minutes, and took part when I was in the office, and when the question was raised in many informal discussions of various points.

Mr. GRAHAM. Did you agree to this settlement of \$3,000,000?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. Are the items that appear in this final award the items that you and Col. Hughes and the Standard Steel Car Company agreed upon?

Mr. ARISON. Not in exact segregation, no, sir; but as to principle, yes.

Mr. GRAHAM. Did you concur with Col. Hughes when he asked to have some of the items audited?

Mr. ARISON. During the period of the conferences; yes, sir, most assuredly.

Mr. GRAHAM. If it was desirable to audit these items, why was not sufficient time given to the auditors in which to do it?

Mr. ARISON. The idea was not that it was not necessarily desirable to have these items audited, for the reason that we were negotiating a settlement in which the Government had a large burden to dispose of in the form of materials, which meant continued and added expense.

Mr. GRAHAM. Well, what did you refer them to the boards at all for then?

Mr. ARISON. Sir?

Mr. GRAHAM. What was it referred to the board at all for, then?

Mr. ARISON. To gain an idea of the measure of the general opinion of men who had audited most of the elements of the contract as to the items submitted for the purpose of fixing in our minds a fiction against the possible costs of continuing the situation that existed.

Mr. GRAHAM. I do not know that I just get your point of view there. You say that you did not care to have them audited?

Mr. ARISON. No, sir; I did not say that.

Mr. GRAHAM. Well, is not that practically what you told me a moment ago?

Mr. ARISON. No, sir.

Mr. GRAHAM. Well, what did you say? Did you want them audited?

Mr. ARISON. I said that—yes, sir—we insisted—if I can make myself clear—the whole discussion at these conferences, Mr. Graham, was intended and insisted on being discussion of the principles governing the claims made, and we insisted finally on an elimination of amounts, because Mr. Cory insisted—when we would come up to an agreement as to a principle involved; for example, they set up a claim of \$1,000,000 for delays, and we would not for a moment grant \$1,000,000; we had to grant “delays.” We found Mr. Cory inclined to talk amounts after we had discussed the principle, and add them up and say, “Then, you agree to this amount?” And we said most assuredly we did not, and would insist that those amounts were subject to audit, up until the time of the completion of these negotiations in conferences. At that time we measured against the possible variations that an audit might bring in, based on—I will say for myself, my experience with auditors and business accountants—plus the possible variation that would develop there against the actual cost which would be involved on the Government if a settlement was not reached and the balance being in favor of the Government indicated that an audit was not necessary, due to the expense necessary to carry on the audit.

Mr. GRAHAM. All right. After that statement, which does not explain the thing I am inquiring about, as I look at it, at all, I want to

now why you marked this sheet, or was it Col. Hughes marked it and gave it to the auditors, asking for a statement about the situation? Did you expect them to make an audit of these various items that were marked, or did you not?

Mr. ARISON. At that time, if the accounting department insisted on an audit our attitude was, yes; that we expected them to make an audit; if they could give us a report based on their knowledge, through having audited everything on the contract up to that time, that these amounts were within reason, we naturally would have welcomed such a report.

Mr. GRAHAM. As a matter of fact, up to that time had you agreed with the Standard Steel Car Co.?

Mr. ARISON. Agreed with Standard Steel Car Co.?

Mr. GRAHAM. Yes.

Mr. ARISON. Not officially; no, sir.

Mr. GRAHAM. Had you not reached a tentative agreement?

Mr. ARISON. As a negotiating and debating committee; yes, sir.

Mr. GRAHAM. And you had fixed certain items in this agreement, and then this statement was given to the auditors, was it not?

Mr. ARISON. I do not know; I could not say of my own knowledge.

Mr. GRAHAM. Do you know when that statement was given to the auditors?

Mr. ARISON. No, sir.

Mr. GRAHAM. Well, do you know whether sufficient time elapsed so that they could make an audit?

Mr. ARISON. No, sir. I know that sufficient time did not elapse, because it was my estimate it would take at least six months to make an audit.

Mr. GRAHAM. Then you did not expect, did you, Colonel, that an audit would be made on those particular items, or that it could be made?

Mr. ARISON. Yes, sir; that it could be made. But the question as to whether the necessity existed or not, Mr. Graham, was a matter, in my opinion, for the board to exercise its judgment on.

You understand—possibly I can make it clear in this way—that our attitude of mind all through this negotiation, even including what we call our agreement with the Standard Steel Car Co. was that we would merely agree on what we individually could recommend to the board for their more mature judgment to act on.

Mr. GRAHAM. This statement that was handed to you by Mr. Blakey, cost accountant, shows that the "three sheets" were handed to him on September 2, "with instructions to 'Audit items marked X.'" He, in his answer, as I take it, states that they can be audited, but, in effect, says that many of them have not been audited, for instance:

Schedule 2, item 1, profit. Two hundred carriages were completed, and if \$4,000 per carriage profit is allowed, the sum of \$800,000 is correct. The cost of the work performed in excess of the 200 carriages is something which will require some time to verify, and if the amount of profit thereon shown as \$656,394.05 is subject to reduction if found to be incorrect, an audit should be made. However, if this amount has been agreed to, based upon estimates furnished by the Standard Steel Car Co., and is not subject to change, no audit is necessary.

Now, did you take that as a statement by the auditor that an audit was not necessary in that item?

Mr. ARISON. No, sir. But I would take it in this—I took it in the way, that the estimate called—the engineer's estimate determining the amounts on which the percentages of 10 and 5 should be figured. If the percentages were furnished, the figures by Mr. Blakey, coupled with the book records taken from the Standard Steel Car Co. records of the amount of direct materials processed at Hammond and the subcontract materials, and on that basis an estimated amount on which these percentages could be applied had been determined; and it is the only way in which that amount could be determined. No audit could determine it without the engineering estimate.

Mr. GRAHAM. He says: "If the amount has been agreed to and is not subject to change, no audit is necessary."

Mr. ARISON. That is a statement—

Mr. GRAHAM (interposing). Did you understand that it had been agreed to and was not subject to change?

Mr. ARISON. We understood that the gross amount of \$3,000,000 in our recommendations was agreed to.

Mr. GRAHAM. And not subject to change?

Mr. ARISON. No, sir; not that it was not subject to change, because the board when we presented it might absolutely reject the entire recommendation.

Mr. GRAHAM. Listen to this again: "Schedule 3, item A, profit on jigs, tools, etc. The actual cost of dies, jigs, tools, fixtures, special machines, etc., paid for as increased facilities under instructions from Washington, can be verified and is approximately \$500,000. If the proposed profit of \$50,000 thereon is subject to reduction if cost thereof of \$50,000 is found to be incorrect, an audit should be made. However, if this amount has been agreed to, based upon estimates furnished by Standard Steel Car Co., and is not subject to change, no audit is necessary."

That is the same thing as the last proposition?

Mr. ARISON. Yes; but he says if this is based on figures furnished by the Standard Steel Car Co., Mr. Graham. They were not furnished by the Standard Steel Car Co.; they were estimates furnished by Mr. Blakey in conjunction with the engineers at the plant, Mr. Vail and Mr. Church.

Mr. GRAHAM. What was the idea, now, on September 2 of giving the sheet of memoranda to Blakey, in the cost-accounting section, telling them to audit that if you had agreed upon it? What were you doing that for?

Mr. ARISON. I did not do that.

Mr. GRAHAM. Who did do that?

Mr. ARISON. I did not perform the act. Col. Hughes has testified that he took this statement to Mr. Miller. I am familiar with the situation in this way: That I said that we wanted a report from the auditors.

Mr. GRAHAM. What kind of a report did you expect now, Colonel?

Mr. ARISON. Such a report as their judgment would indicate necessary to verify our understanding of the subject.

Mr. GRAHAM. He says in here that if you have agreed to these things and they are not subject to change that audits are not necessary, but indicates that if they are subject to change audits should be made. You did not pay any attention to that recommendation, did you?

Mr. ARISON. Yes, sir; most assuredly.

Mr. GRAHAM. Did you have audits made?

Mr. ARISON. No, sir; but I considered when the accountant of a plant who had been there from the inception of the contract and who had audited the greater percentage of all the affairs of the Government there, said that a thing could be verified, that that meant it could be proved.

Mr. GRAHAM. Yes; it could be proved if it was correct. Did you understand that when Blakey said "this can be verified" that that meant that it was correct; is that what you understood?

Mr. ARISON. That would be my understanding of anyone saying a thing could be verified; yes, sir.

Mr. GRAHAM. It never occurred to you that he might mean that if he had a chance to go over the figures he could tell whether they were correct or not?

Mr. ARISON. If he meant he could disprove them he would not say he could verify them.

Mr. GRAHAM. And that is the way that you understood that that was meant?

Mr. ARISON. That, assuredly, is the way I understood it; yes, sir.

Mr. GRAHAM. You, as an efficiency expert, now, Colonel, think that is what that letter means, do you?

Mr. ARISON. As the expression of opinion of a man familiar with every detail of the contract, when he says that he could verify a thing from the records, yes, sir; I would understand it that way.

Mr. GRAHAM:

7. Schedule 4, Standard Electric Engineering Co.—\$121,585.57, and other sums not allowed, namely, \$2,475.74 can be verified, if subject to change.

You thought that meant that was correct, did you?

Mr. ARISON. In the face of the evidence that we had that the auditor had already audited that and found that that money had been expended; yes, sir.

Mr. GRAHAM. You and Col. Hughes took that letter of Blakey's, then, I should judge, as an O. K. of those various items?

Mr. ARISON. I do not know as to Col. Hughes, but I considered his statement that he could verify an amount would mean that he could verify it; yes, sir.

Mr. GRAHAM. Not that he could not verify it, but that you took it that the item was correct?

Mr. ARISON. Yes, sir; "verification" means that.

Mr. GRAHAM. And that he said so?

Mr. ARISON. Yes, sir; he said that.

Mr. JEFFERIS. This meeting of August 27, as shown by the minutes, was that the meeting at which the amount of \$3,000,000 was agreed to by the Chicago claims board?

Mr. ARISON. If I may be permitted [referring to paper]—yes, sir; August 27 was the date of passing the claim.

Mr. JEFFERIS. No formal award was made, I take it?

Mr. ARISON. Yes, sir; at that time in the form of a motion, which was the customary method of procedure.

Mr. JEFFERIS. But no award was signed then?

Mr. ARISON. No award is ever signed on the day of the passing of the matter by the claims board—I will qualify that, ordinarily

because of the necessity of routine details that have to be accomplished.

Mr. JEFFERIS. In arriving at that \$3,000,000, Colonel, on August 27, was it understood at that time what requisitions were in as to materials and machinery and parts from these different arsenals or not?

Mr. ARISON. It was part of the policy of the district office—the policy but absolute instructions that through the manufacturing divisions in Washington lists of these parts, machine facilities, tool facilities, and so on, were furnished to the arsenals, and—and through the year we were visited by representatives of different arsenals who wished to go over our lists at Chicago for these various materials, Government owned and various Government owned facilities, and the plants visited by personal representatives of the arsenals and selections made, and in a great many cases tags tied right to the specific machines and materials wanted.

Mr. JEFFERIS. Do you know anything as to the value or having an inventory as to just what was shipped to the arsenals?

Mr. ARISON. No, sir; that was handled through the machinery provided in the general organization, and would not have of necessity come to my attention.

Mr. JEFFERIS. Were you present when these designations were changed from what they had been, say, on August 27—these items?

Mr. ARISON. No, sir; understand that the discussion of those items were held in Hammond, and I was not present at that meeting.

Mr. GRAHAM. There is one more thing I want to ask you about: Col. McFarland, after attending the meeting in Chicago, sent a message on September 29 to the ordnance district claims board at Chicago, which reads like this:

With reference to claim Standard Steel Car Co., the understanding of members attending meeting in Hammond last Thursday was that all Government expenditures on this claim had been properly audited. Just before train time Mr. Blakey, of Chicago district office, made some statement to several members of the committee present at the meeting above referred which would indicate that there was a question whether such auditing had taken place or not. Please confirm understanding in this matter, and send us by special delivery statement by Mr. Blakey which you have at hand showing that such auditing has been made.

ORDNANCE CLAIMS BOARD.

I take it from that message that somebody told Col. McFarland—and, in fact, he so stated in his testimony—in Chicago that the account or claim had been audited, and that you gentlemen had a statement of Mr. Blakey showing that such auditing had been made. Did you at any time while Col. McFarland was in Chicago tell him anything of that kind?

Mr. ARISON. The only thing I recall about that, Mr. Graham—and my recollection is vague on the thing—the only specific thing being that I must have had the request made—that some one requested or asked me if there was a copy of the letter which Mr. Blakey had written to the board available, and, as I say, my recollection is that we secured a carbon copy of the letter and showed it to whoever made the inquiry. Whoever that might have been I can not say.

Mr. GRAHAM. Did you tell Col. McFarland or Col. Reeves, or either of them, at that time that the claim had been audited?

Mr. ARISON. I would say no; I had not made any such statement as that.

Mr. GRAHAM. In reply to that message, you sent the following telegram, or at least the telegram bears your name, and I assume you sent it:

SEPTEMBER 29, 1919.

ORDNANCE CLAIMS BOARD,

Washington, D. C.:

Replying your wire 28, Mr. Blakey's report, September 15, states schedule 1, item A, approximately correct; schedule 1, item B, figures estimated considered by settlement committee susceptible of verification; schedule 2, no audit necessary; schedule 3, no audit necessary; schedule 6, negotiated amount; schedule 7, by agreement; schedules 8, 9, and 10 can be verified. Payments heretofore made have been audited and approved by Government accountants.

E. E. ARISON,

Colonel, Ordnance Department, United States Army,
Ordnance District Chief.

Did you send that message, Colonel?

Mr. ARISON. I must have sent it if I signed it, but I do not recall sending a message, as on the 29th of September I was due to leave at 5 o'clock for Washington, and we had a claims board meeting at which some 17 claims were presented, and I was busy all day, and there were a great many telegrams came in, but undoubtedly that must have been sent by me, if it bears my signature.

Mr. GRAHAM. Do you think that telegram correctly stated the facts as to Mr. Blakey's report?

Mr. ARISON. In view of the fact that I considered that the papers, including Mr. Blakey's letter, had already preceded to Washington, I would feel that; yes, sir.

Mr. GRAHAM. Now, for instance, in this telegram you say—now, here was Col. McFarland asking for the substance of the Blakey report—

Mr. ARISON. Is that telegram signed by Col. McFarland?

Mr. GRAHAM. No; Col. McFarland testified that he sent it, that Mr. Sofberg prepared it in his office, and it was sent by his authority, and the reply came to him.

You say "Schedule 3, no audit necessary" in this telegram. Now, here is what Mr. Blakey said in his report:

Schedule 3, item A, profit on jigs, tools, etc.—The actual cost of dies, jigs, tools, fixtures, special machines, etc., paid for as increased facilities under instructions from Washington, can be verified and is approximately \$500,000. If the proposed profit of \$50,000 thereon is subject to reduction if cost thereof of \$500,000 is found to be incorrect, and audit should be made. However, if this amount has been agreed to, based upon estimates furnished by Standard Steel Car Co., and is not subject to change, no audit is necessary.

And after that statement having been made in Mr. Blakey's report, you say to Col. McFarland that Blakey said "no audit is necessary"?

Mr. ARISON. No, sir; if I may explain that: We received continually, Mr. Graham, telegrams signed by the ordnance board, which may have come from an examiner or may have come from Gen. Williams, or Gen. Pierce, I mean, and when—I can only explain the possible attitude of my mind—that when that wire came in asking as to these schedules on the 29th of September, and the claim had been approved by the War Department Board and the ordnance board on the 26th, I would base that on his statement that

if this amount had been agreed upon no audit is necessary and would have worded it that way.

Mr. GRAHAM. But you did not say so. You said: "No audit necessary."

Mr. ARISON. That is merely my misfortune in answering the telegram, as I see it.

Mr. GRAHAM. All right. Let us see if this next one is a misfortune. You paid no attention to many of these items in here, and finally come to this item:

Schedule 6.—The amount shown, namely, \$473,072.17, can be verified if subject to change.

And your answer to that is "schedule 6, negotiated amount." That is all you say about that. Did you think that was giving Col. McFarland the substance of what Mr. Blakey had told you?

Mr. ARISON. The amount of \$473,000 was not allowed, sir.

Mr. GRAHAM. I know, but he was asking for it, and you said "negotiated amount."

Mr. ARISON. I evidently understood that I was giving the interpretation of the understanding which had been before definitely given in the letter, Mr. Graham, yes.

Mr. GRAHAM. Let us take the next: "Schedule 7, item B, plant rental"—Mr. Blakey said this: "The amount shown, namely, \$150,000, is by agreement and could not be audited." You say in your answer, "schedule 7, by agreement."

Now, Col. McFarland had asked you to confirm the statement which he understood had been made that these things had been audited, and you are answering that telegram, and what I would like to know, and I think perhaps what the committee would generally like to know, is, why did you not disclose in your answer to Col. McFarland exactly what Mr. Blakey had said?

Mr. ARISON. I did not know, for one thing, very evidently did not know, I was disclosing anything to Col. McFarland, and I merely did my best, Mr. Graham, within the limits of my ability to express an answer to the telegram.

Mr. GRAHAM. While it is not signed by Col. McFarland, it was signed "Ordnance Claims Board"?

Mr. ARISON. Yes, sir.

Mr. GRAHAM. I think it must have been apparent to you when you received this that some one who had been there sent it, because it says, "The understanding of members attending meeting in Hammond last Thursday was that all Government expenditures on this claim had been properly audited. Just before train time, Mr. Blakey of Chicago district office, made some statement to several members of the committee present at the meeting above referred which would indicate that there was a question whether such auditing had taken place or not. Please confirm understanding in this matter, and send us by special delivery statement by Mr. Blakey, which you have at hand, showing that such auditing has been made."

Evidently he thought that the claim had been audited, and yet in answering that you answered it in a way that either does not state the full conditions, as we understand it, or that fails to state anything at all about it.

Mr. ARISON. As I said before, Mr. Graham, I do not recollect sending that telegram. The time at which it was filed, as was brought

ut by a question in my testimony in the War Department, was 7 o'clock in the evening, which was two hours after I had left the city. I may have signed it; I have no recollection of having signed it, and I merely have tried to explain how I might have interpreted it and answered it as I did, if I did send it in the rush of the business there.

Mr. GRAHAM. I did not go over many things with you because Col. Hughes had covered them pretty fully, but if there is anything that you think of that has been omitted that you want to state, Col. Arison, that you think would throw any light on this, we would be glad to hear it—not only this matter but any matter connected with this claim. We want to be fully advised about it.

Mr. ARISON. The only thing I could endeavor to say is to try and make clear to the committee the general attitude of mind with which all of us in Chicago approached the consideration of this claim, or of any claim—not specifically this claim. We all felt when the claim was originally presented that—well, that an outrageous claim had been made on the Government. We took it, as we discovered later, in the light of other claims which had been presented, and then after a study and analysis of the claim it was determined it could not be made up in any way like the other claims. For instance, I personally discovered it—I do not know that I was the first; I think other members of the board did practically at the same time—that that was as Col. Hughes has aptly put it, that that was a statement of business to date, because it included many—many of the large items—some \$1,948,000 of regularly voucherable items, which Mr. Blakey and the accountants and the regular organization had been passing through and which had been paid, so that those were eliminated as subject to discussion; they had already been treated of.

The next light which I, as a member of the board in an effort to grasp the situation, got was that whereas certain amounts were claimed by the Standard Steel Car Co. under certain headings, those amounts were not allowable as they stood, but the claim under which they set them up had to be given consideration.

I might take these schedules—I think Col. Hughes has fully covered that—on schedule 1 we immediately cut out \$1,000,000 from any consideration whatever; that was not to be considered—delays due to the United States Government—when I of my own knowledge knew that in January of this year or December of 1918, two months after the armistice, 107 engineering changes had been made in the drawings and that corresponding changes had been drawn on through every month, I could not but acknowledge from my experience in manufacturing that very serious delays had been occasioned to the company. The problem then resolved itself down to a discussion with the company officials, that we might determine on, of the principle involved in settlement of the claim. In order that we could get a clear insight to their method of setting up claims under these headings and, as was brought out by Col. Hughes and as the minutes show, we continually insisted on not tying that discussion of principle down to an amount. It was a question whether there were delays and whether they were entitled to something for those delays and how little, in equity, we would allow them in the interests of the Government for the delay. It became a matter of personal judgment as to the measure of cost of those delays. They said \$1,000,000; we countered with

nothing. There was a middle ground on which we could express an opinion which would not be worth anything in the settlement of the claim unless the other party could be brought to see the reason of it and grant the amount; and that was the general procedure that we followed all the way through the discussion and consideration of these items.

Also, we considered ourselves as under our original instructions received from the department, an initiating body and negotiating body to recommend for the consideration and approval of those higher up what we considered just and equitable in the interest of the Government and of the contractors mutually to settle these claims arising out of the war, considering the future possible expense to the Government that would ensue if they were not settled; and that was a very tangible monetary expense existing all around us. We had a large producing force of Government employees whom the armistice left to a certain extent standing still and the need for them was gone if we could close the Government affairs up with the contractors.

I think I might say it was our feeling that while Col. Hughes had been assigned by Mr. Russel as a special investigator and analyst of the claim, it was felt that Mr. Russel and Mr. Lyon and myself and Col. Clark, Mr. Palmer, and the other chiefs of the sections in the office were all thinking about the claim, endeavoring to devise ways and means through which we could reach a settlement, and there were innumerable informal discussions and conferences on the elements and principles involved in the claim that we had never taken a record of, any more than all of the deliberations of each of these committees which we had inaugurated were taken a record of.

I do not know of anything more that I can say, Mr. Graham, unless something might occur later as a result—

Mr. GRAHAM (interposing). If you have any further ideas and you care to communicate with us, you can make any addition to your statement that you desire.

Mr. ARISON. I would like to add this: That we felt that the result of these conferences and the recommendations to the board were the result of sincere, hard-working interest of every member of the Chicago board to solve the situation, which a great many people thought could never be solved except through the medium of the courts and at a very great expense to the Government.

Mr. GARRETT. In these negotiations, which did you have most difference with the representatives of the company about, the question of principles or the question of amount?

Mr. ARISON. The chief difference was as to the amount, Mr. Garrett. We found that the principle involved in the wording of the set-up of the item was supported by, you might say, volumes of evidence in the form of records of the contract and of our own knowledge of conditions there.

Mr. GARRETT. As I understand it, many items that they set up in the claim could not, under the terms of the informal contract—for such I understand it to have been held to be—be set up under the heading that they desired to set them up. Is that correct?—even some that the equity of them would be denied; yet they could not go in under the heading that they attempted to set them up in

the claim, but might under some other head, the equity being admitted?

Mr. ARISON. Our biggest problem was that there was no contract, no agreement even, between the contractor and the Government. There was an idea on the part of the Government of what ought to be; there was an idea on the part of the contractor of what it should be. There had never been an agreement reached by all the officials connected with it as to the exact covering contract. The result was that we had to go back to the actual facts induced by the Government having given this contract to this company and confine ourselves solely to expenses which had been imposed on them by reason of the contract.

Mr. GRAHAM. That is all, I believe, and the committee will now adjourn subject to call.

(Thereupon, at 1.10 o'clock p. m., the committee stood adjourned to meet at the call of the chairman of the subcommittee.)

**SUBCOMMITTEE No. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Monday, November 11, 1919.**

The subcommittee met at 3.30 p. m., Hon. William J. Graham (chairman) presiding.

Present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

**TESTIMONY OF MR. L. J. BLAKEY, UNITED STATES ACCOUNT-
ANT, RESUMED.**

(The witness was recalled by Mr. Graham.)

Mr. GRAHAM. Mr. Blakey, I observe in the public advertisement that has been printed in many of the newspapers over the United States a statement by the Standard Steel Car Co. that your testimony should be discredited because you had at one time and about the time of this settlement, applied for employment and that, because you did not get it you were angry, and tried to get even with that company. Now, tell us about what there is to this employment proposition.

Mr. BLAKEY. That statement is incorrect, Mr. Graham.

Mr. GRAHAM. Tell us just what happened.

Mr. BLAKEY. I was in the office of the Standard Steel Car Corporation at Butler, Pa., sometime in May, 1919, auditing the administrator's expenses. In my personal conversations with Mr. Gillespie, their treasurer, he asked me what I was going to do when I left the Government service. I mentioned to him that I was interested in a business in Maryland with my father-in-law, and that I would probably return to that. That was about all that took place at that time.

Mr. GRAHAM. Was the claim filed at that time?

Mr. BLAKEY. No, sir; that was in May.

Mr. GRAHAM. It happened after that?

Mr. BLAKEY. Yes, sir. I was at their office again in July, 1919, auditing the administrator's expenses and at that time their claim had been filed, but I had not seen it up until that time, and after I had completed my audit of the administrator's expenses there, Mr. Fletcher, who is assistant to Mr. Gillespie, and the latter were sitting around the table discussing various matters and—I don't remember which one said it—asked me if my work at Hammond was not about finished. I said I thought it would be within two or three months, probably by the 1st of October or November, and they mentioned then that they had a position that they would like for me to consider, and I told them that I would be very glad to do it, but after I had finished the work at Hammond; but they said that that was impossible, and that they would have to have me sooner. They said, "If

you want to consider it you will have to come with us as of August 1. I told them I would not like to do it in so short a time, and I mentioned the salary that I would work for.

Mr. GRAHAM. Did they tell you what they wanted you to do?

Mr. BLAKEY. Yes, sir. They mentioned that the position was what they called the works accountant of their automobile business. I was to take charge of the business that they were just starting to build up.

Mr. GRAHAM. Did they know that you had charge of the accounting of this claim?

Mr. BLAKEY. Yes, sir; still up until that time I had not seen the claim, but it had been filed.

Mr. GRAHAM. Well, what happened after that, about this employment?

Mr. BLAKEY. When I mentioned the figure that I would work for, I think it was \$4,000, they intimated right away that that was too much. Overnight I thought it over, and I told them the next morning that I would consider \$3,600 with a promise of an increase if I made good, and they said "all right," that it was a new department, and that they would take it up, and that they would write me the ensuing week.

Mr. GRAHAM. On that occasion did they open the conversation or did you?

Mr. BLAKEY. They opened the conversation.

Mr. GRAHAM. Had you been talking prior to that of anything about the accounting that was to be made on this job at Hammond?

Mr. BLAKEY. No, sir; nothing was mentioned about the claim, so far as I can remember.

Mr. GRAHAM. But you were there looking up something about the administrative expenses?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. What next happened about it? Anything?

Mr. BLAKEY. I went back to Hammond and did not think any more about it until I received this letter, which is dated July 22, 1919, and marked "Personal," addressed to

J. L. BLAKEY,

*Accountant in Charge Standard Steel Car Co.,
Hammond, Ind.*

DEAR SIR: Referring to recent conversation which Mr. Fletcher and the writer had with you relative to your accepting a position in this department, after going into this matter thoroughly and taking into consideration men who have been with us for many years, we have decided that the position we have had in view should be given to Mr. Flemming, as he is justly entitled to it.

I regret very much to so advise you and beg to advise you that if any opening should develop we will very gladly get in touch with you.

With kindest regards, I am,

Yours, very truly,

G. H. GILLESPIE,
Auditor and Treasurer.

To that letter I replied, under date of July 24, 1919:

Mr. G. H. GILLESPIE.

DEAR SIR: I am just in receipt of your letter of the 22d and I note contents. I thank you for the consideration given me in connection with this matter and also the promise in the last paragraph. Mr. Flemming has my best wishes and with kindest regards to Mr. Fletcher and yourself, I am,

Yours, very truly,

Mr. GRAHAM. And that ended the incident?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did you ever apply to them for a position?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. The first you knew of anything of the kind was when you were there on the accounting proposition?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did the fact that caused you not to get that employment cause you to come before this committee?

Mr. BLAKEY. No, sir; it had no bearing on this case.

Mr. GRAHAM. One of the officers who testified before this committee testified that you did not say anything on the first occasion in Hammond when the marks were being made? They indicated that they thought you should have said openly at that time, in the meeting, that these things had not been audited? Why didn't you, on those occasions, say what you thought about that?

Mr. BLAKEY. If I had been invited to the meeting and asked to discuss those matters I would have spoken, but under the circumstances it appeared to me that I was in the meeting without any standing whatever, and I only spoke when I was spoken to during the meeting, and then I was invariably cut off as though they did not want me to speak, and Col. E. S. Hughes, United States Army, seemed to do that cutting off, just to tell me that my remarks were not wanted.

Mr. GRAHAM. Did you tell Col. Hughes the next day that you thought he had insulted you?

Mr. BLAKEY. That came about through a difference in some figures. I think it was the administrative expenses. They showed that about \$60,000 had been deducted as having been paid, and I said that the amount should be \$109,000, and then Col. MacFarland asked Col. Hughes how did he account for that difference. Col. Hughes said, "I did not know that there was any difference until Blakey let loose," and that was the remark that I considered was an insult.

Mr. GRAHAM. Well, was there anything else in the conduct of Col. Hughes that you considered as insulting?

Mr. BLAKEY. It was his overbearing manners, in every way. He didn't ask me any questions and he did not give me a chance to answer questions asked by other members at the meeting.

Mr. GRAHAM. What did he do?

Mr. BLAKEY. When I started to answer he would start to talk about one of the other items.

Mr. GRAHAM. And that is what you meant when you said he insulted you?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. You are back here to-day not at the request of the committee, but were called before some committee of the War Department, were you?

Mr. BLAKEY. No, sir; I was here in Washington on my way to Chicago, and I came over here in accordance to a letter which you wrote regarding a statement of the administrative expenses. It seems that that statement got lost by the stenographer and was not printed in my testimony, and I furnished that statement to the clerk.

Mr. GRAHAM. You are still in the Government employ?

Mr. BLAKEY. Yes, sir. I was absent with leave for 30 days from October 3 until November 2, 1919, but before that leave expired I was in Texas and Louisiana visiting relatives, when the War Department sent me a telegram to come to Washington at once. I obeyed their orders, and they automatically placed me on the pay roll when I obeyed orders conveyed in that telegram.

Mr. GRAHAM. Mr. Jefferis, do you want to ask him any questions?

Mr. JEFFERIS. Mr. Blakey, were you the chief accountant on this job of the Standard Steel Car Co. at Hammond?

Mr. BLAKEY. Yes, sir. I was the chief Government accountant there from April, 1918, until I left there in October, 1919.

Mr. JEFFERIS. What portion of that time were you down at Hammond in the offices of factories of the Standard Steel Car Co.?

Mr. BLAKEY. I was there all the time with the exception of about 30 days in 1918, when I was sick, and then on three or four other occasions when I had been absent for about a week at a time.

Mr. JEFFERIS. What are the facts as to your being there from the 1st of July, 1919, up until the 1st of October?

Mr. BLAKEY. As of the 3d of July I was absent until about the 18th or 20th of July. During that time I was at the Butler office instead of at Hammond, and I was absent one other week. I don't recall the exact date of that, but I was sent up in New York State on another claim which was a subcontract of the Standard Steel Car Co.

Mr. JEFFERIS. How many men were assisting you in this accounting position during that time?

Mr. BLAKEY. When I went there there were only two men. I think I had as high as 17 or 18 men there, and there are about 15 there at the present time, I think.

Mr. JEFFERIS. Now, what is the fact, Mr. Blakey, as to whether or not this claim of the Standard Steel Car Co. had been assigned to Col. Hughes to take up the question of the settlement of that claim, as to his consulting you or any of the other men of the accounting division. Tell us what he did in that, as far as you observed?

Mr. BLAKEY. Well, he practically did not consult any of the accountants before or after the claim was approved. In other words, I mean that he had agreed to \$3,000,000 settlement before the claim was ever officially turned over to my office for auditing.

Mr. JEFFERIS. Well, did Col. Hughes at any time, to your knowledge, or from anything that you had prior to the settlement of the agreement of the \$3,000,000 settlement, approach your accountants to find out and ascertain anything as to invoices or costs of any parts or anything of that kind?

Mr. BLAKEY. No, sir. All that he did was to submit that type-written memorandum with the various items on it marked "X" with a penciled note "Miscellaneous items marked 'Audited items marked 'X'" and when that penciled memorandum was given to me about, I think, September 2, I was told at that time that a settlement of \$3,000,000 had practically been agreed to and the officers of the Standard Steel Car Co. told me that, regardless of any audit that I might make, the \$3,000,000 would not be changed.

Mr. JEFFERIS. Who told you that from the Standard Steel Car Co.?

Mr. BLAKEY. Mr. Cory and Mr. Jenks.

Mr. JEFFERIS. But when did they tell you that?

Mr. BLAKEY. I don't remember the exact dates, but it was some time after September 2. Between the 2d of September and the 15th of September.

Mr. JEFFERIS. What was the occasion of their telling you that?

Mr. BLAKEY. I think that Mr. Cory came to my office to discuss and see if we were making any audit of the claim.

Mr. JEFFERIS. Just what was said. As near as you can remember at the time that he told you that?

Mr. BLAKEY. I don't remember the exact words, except that I had the claim on my desk and also those typewritten memorandums showing the revised claim of \$3,000,000, and I asked him how he arrived at some of the figures, and he kind of smiled, and said I should not worry about how they had been arrived at, because they had been already agreed to.

Mr. GRAHAM. Mr. Blakey, do you now have with you the table that you mentioned in your testimony on page 1685 of our printed record, and which was not printed at that time?

Mr. BLAKEY. Yes, sir; I have a copy of that.

Mr. GRAHAM. I wish you would hand it to the reporter and have it inserted in the record at this point.

Mr. BLAKEY. Yes, sir.

(The table, which should have been inserted in the printed record on page 1685, follows:)

Standard Steel Car Co., Pittsburgh, Pa., Buller (home) office general administrative, from Nov. 1, 1917, to June 30, 1919.

Period.	Gross administrative expenses.	Period.	Gross administrative expenses.
November, 1917.....	\$79,245.69	October, 1918.....	\$61,331.76
December, 1917.....	55,599.49	November, 1918.....	62,676.60
January, 1918.....	61,035.68	December, 1918.....	76,513.16
February, 1918.....	66,414.44	January, 1919.....	69,326.64
March, 1918.....	68,145.93	February, 1919.....	65,049.66
April, 1918.....	65,478.66	March, 1919.....	80,968.32
May, 1918.....	64,513.15	April, 1919.....	83,687.31
June, 1918.....	71,564.31	May, 1919.....	94,755.32
July, 1918.....	56,884.34	June, 1919.....	94,782.72
August, 1918.....	64,024.03	Gross administrative expenses.....	1,407,310.71
September, 1918.....	65,313.50		

EXPENSES, 1919.

Not applicable to cost of Government contracts.	Charged to subsidiary companies.	Net administrative expenses.	Not applicable to cost of Government contracts.	Charged to subsidiary companies.	Net administrative expenses.
\$28,554.40	\$16,675.00	\$34,016.29	\$3,088.79	\$26,625.00	\$28,617.97
7,543.82	16,675.00	31,380.67	5,108.30	26,625.00	30,943.30
7,778.23	26,625.00	26,632.45	6,860.50	26,625.00	43,027.66
12,167.95	26,625.00	27,621.49	6,963.45	26,625.00	35,738.19
9,943.07	26,625.00	31,577.86	7,370.17	26,625.00	31,054.49
10,009.37	26,625.00	28,844.29	16,131.12	26,625.00	38,212.20
9,930.27	26,625.00	27,957.88	18,298.83	26,625.00	38,763.48
14,607.04	26,625.00	30,332.27	24,163.69	26,625.00	43,966.63
2,547.04	26,625.00	27,712.30	19,036.20	26,625.00	49,121.52
4,967.91	26,625.00	32,431.12			
5,771.40	26,625.00	32,917.10			
			223,841.55	512,600.00	670,869.16

Mr. GRAHAM. It was stated in the hearings that Mr. Cory said that your testimony did not apply to the whole period, but a part of it. What are the facts about it?

Mr. BLAKEY. If that statement was made, it was incorrect, because the amount that was paid to them for administrative expenses, which was about \$109,000, covered the period from November, 1917, to June 30, 1919.

Mr. GRAHAM. Did Mr. Cory ever make such a statement in your presence, that it covered any part of the period?

Mr. BLAKEY. No, sir; Mr. Cory never made any such statements to me.

Mr. GRAHAM. Never made any such statement in your presence?

Mr. BLAKEY. No, sir.

Mr. JEFFERIS. Then there wasn't any such statement, inquired about by Mr. Graham, at any of these meetings at Hammond when Col. MacFarland or Col. Graves were present?

Mr. BLAKEY. No, sir.

Mr. JEFFERIS. Or at the meetings in Chicago?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. It appears in the testimony of one of the witnesses, I think perhaps Col. Arison, that he had been requested to remove you. Do you remember any incident similar to that?

Mr. BLAKEY. Yes, sir; the only thing I know of regarding that was complaints that Mr. Cory and Mr. Jenks, of the Standard Steel Car Co., had made.

Mr. GRAHAM. When was that?

Mr. BLAKEY. Some time in March, 1919.

Mr. GRAHAM. What were they complaining of?

Mr. BLAKEY. That we were not reimbursing them for many services, they said, and that I was arbitrary in holding up payments that should have been made to them, and they made a statement to the effect that a certain sum of money was being held up, when, as a matter of fact, at the second meeting, we proved to them that that amount was incorrect, and then Mr. Jenks withdrew that request through Mr. Miller, stating that he was perfectly satisfied then with the accounting work and was sorry that he had misrepresented the facts.

Mr. GRAHAM. That was before they had asked you to join their organization, was it?

Mr. BLAKEY. Yes, sir.

(Thereupon, at 4.30 p. m., the subcommittee adjourned, to meet again upon the call of its chairman.)

SUBCOMMITTEE NO. 5 (ORDNANCE) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Cincinnati, Ohio, Friday, November 21, 1919.

The subcommittee met in room 304, Federal Building, 9 a. m., on call of the chairman, Hon. William J. Graham (chairman), presiding.

Present: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Also present: Col. W. S. Valentine, member of board of appraisers; Col. C. F. Buschee, member of real estate service department; Capt. M. F. Mitchell, Washington, D. C.; Lieut. A. A. Roberg; Mr. John V. Campbell, Cincinnati, Ohio; Mr. Oliver B. Jones, Cincinnati, Ohio; Mr. W. W. Clippinger, Cincinnati, Ohio; Mr. Hopple, Cincinnati, Ohio.

The following hearing was arranged by Col. W. S. Valentine, member of the board of appraisers, for the purpose of attempting to adjust certain unliquidated claims for damages presented by land owners and on account of the work at the Ancor Plant. The subcommittee participated in the hearing, and, on motion, it was agreed that the evidence taken be incorporated in the regular printed hearings of the subcommittee.

Col. BUSCHEE. With reference to the original acreage of the nitrate plant of which we spoke this morning, I find that I was mistaken. It should be 1,231.31 acres that were included in this big map [indicating on large map exhibited to the committee], practically everything you see, practically everything outside the heavy line for the original site.

At the time that the armistice was signed, all work was suspended at the plant. I think along about the 15th of November a telegram to suspend all further work was received. Then the question came up in the Ordnance Department as to what property could be turned back.

Most of this land outside of a certain area was acquired as a safety zone in all these plants, nitrate plants. That area was acquired in addition to what was actually needed, for a safety zone. That property might well be turned back.

The real estate department was asked to come out to see if it was possible to negotiate with the idea of returning the unused pieces to the owners.

The first time I was here, I think, was in February, and at that time the investigation showed that the total amount disbursed at Ancor on the 21st of February, 1919, amounted to \$5,452,527.01. This included buildings. The buildings alone cost \$943,318.40. The other expenditures were for labor, undoubtedly, and incidentals to the construction of the plant.

In June we again came out and effected releases with all but a few owners.

Some of these farmers in these outlying tracts had never been disturbed. They lived on the farms and farmed them, while the Government did accept the options. In many cases we asked them to move off—not in every case. I signed releases from a great many. Some, closer to the plant, resisted.

The Ordnance Department drew a line around the area here [indicating on map] which they wanted to acquire by purchase. In all these things the Ordnance Department is the controlling bureau—the real estate service has nothing to do with what they keep and what they turn back. If they say they want certain lands, we will complete the purchase. Ordnance Department drew the heavy line which you see here on this map and stated that that is all that they wanted; the rest to be turned back. That method would cut up several farms. They only wanted a part.

In the cases of William and John Aichholtz that worked a great hardship because it took the hill land lying here [indicating on large map], and it left them only the lowland, which was of no value to them, and cut off from the lowland the farming land. We recommended that the whole tract be purchased because there would be no possible way of getting at the amount. The upland was appraised much less than the option called for, but, naturally, it alone was not anything near what the total piece would be worth. At this time, as you gentlemen know, the rider in the appropriation bill went through forbidding the department from going ahead. The question then developed, and was put up to the Judge Advocate General, as to whether Ancor was an exception. Ordnance was again asked to recommend. The plant was, roughly, 40 per cent completed.

Lieut. ROBERG. Eighteen per cent.

Col. BUSHEE. And it was felt that we could get out cheaper than it would be to purchase the site. The entire acreage figure would be 615.39 acres. The 38 acres was the number of acres actually inside of the line which the Ordnance Department wanted to keep. It was figured at the option price, which, I might say, varied from \$200 to \$300 an acre, depending upon the location of the farm. Amended authority was asked of the Secretary of War—he had original authority—for \$389,000. Before we could go ahead we had to have amended authority. We could do nothing under the authority we had. No one had authority. The Secretary of War gave that amended authority on the 13th day of November, this year, that is, after the Judge Advocate had rendered his opinion that this plant should be purchased. If the recommendations that were submitted by the Ordnance Department were acted upon not to buy, they figured it would cost approximately \$190,000; and if we did buy, taking the figures at the estimated value of the land and what they could salvage off of it, we would lose about \$18,000. So, therefore, that was the basis of the recommendations to purchase the 516 acres of land. I am rather inclined to believe that the estimated value of the property, which was \$100 an acre, was very low. I think if we attempted to sell the land we would get very much more than \$100 an acre, in some cases a little more than we paid for it, and in some cases less. Some of it is apparently destroyed for manufacturing purposes.

The method by which the price was arrived at was by an appraisal by the Cincinnati Real Estate Board and local real estate people.

the options were originally gotten that way, and in Mr. Broadwell's case, for instance, they estimated his land at \$290 an acre and he refused \$290.

Mr. CAMPBELL. \$250.

Col. BUSCHEE. I have it "\$290." That is what they estimated it. Each tract was appraised by these folks and they gave an itemized statement as to what they thought the property was worth per acre, and based on that the property—or the options—were taken and signed by the United States. The investigation I made here showed that the price in every case was a good, full price. I don't think that anyone or any real estate man in the vicinity would say that that price wasn't a fair, full value for it.

Mr. Broadwell declined, however, to accept \$290 an acre and at the time I was here—in June—he asked \$400. It is probably one of the reasons why condemnation suit was not started in that case. I think the Government might have increased his offer; he would listen to nothing less than \$400, and just recently \$500. In that case we would have to act under the emergency act of July 19, 1918. They don't have to wait for condemnation.

With reference to Mr. Campbell's two acres: He didn't want to sell. I wanted to agree with him in June; he said he didn't want to sell. I asked him if he had any damage. He said no; he wanted his property to be condemned. The proposition was put up to them in Washington and the first question asked, "Can we get off of that?" And we said we could. There was a coal pile and machinery on this land, so they ordered the machinery and the coal pile to be removed. Mr. Campbell's land returned to him, and he came in with a damage claim. The Secretary of War wrote him a letter in answer to some letters that various gentlemen out here in Cincinnati had written to him asking the Secretary to give him some relief, and somewhere in the file of his office he had a letter in which he had originally stated that he didn't want to sell and did not care to rent, but that the Government could have the use of his land if they would return it and pay him damage and he would be satisfied. Since then I learned that that was declined at the time. However, that record in Washington didn't disclose the fact that it had been declined, that the offer to donate his two acres had been declined. They said Mr. Campbell could come before the board to assert his claim for damages.

The COMMITTEE. Although he had rejected the offer?

Col. BUSCHEE. I am inclined to think that the Secretary was not responsible for that rejection. I don't think he would have written a letter of that kind. He was not in possession of those facts.

The proposition now is, I think, with the exception of the Edwards, the Aichholtz and the Broadwell tracts, that the owners have agreed to take back their farms.

Judge JONES. And the Turner tract.

Col. BUSCHEE. And the Turner tract. They only wanted 14 acres of that. They optioned considerably more, 105 acres. They actually only need 14 acres. Mr. Jones is attempting to have his own client come in to see if we can't take it all back. If so, that will release the United States from that part of the damages. The same way in the Sarah Brown matter. She says she would be willing to take that back. They would give us 8 acres and she would take the remainder on the payment of certain damages.

We only have a few temporary buildings with no foundations on the ground and they can be very easily removed if we reach the agreement of turning back those tracts, and that will reduce our acreage still more. In the Broadwell case and in the Aichholtz case I am still of the opinion that the United States should take it all because in the Durham case we are taking 20 acres and asking him to take back 15; in the Aichholtz case we are taking 78 acres and asking him to take back 60 acres of hill land. I am of the opinion that we should buy all of that property. There is no other way we can make them whole.

In reference to the Edwards tracts, at the bottom, they only utilized a V-shaped strip upon which a railroad siding was built, a line which runs through the plant. Ordnance did not want this part here. [Indicating on large map.] They said they would take this and then they said this: They drew a line that separates the Edwards farm right in half here. This is the siding here, here was a switch. that area was 24 acres. Mr. Edwards will not convey title to 24 acres. He will only give title to the entire lands or nothing. Therefore, the Government will remove its railroad, and so forth, there because that can very easily be done, and ask Mr. Edwards to come in with a damage claim. That to me seems fair enough because they haven't touched his low land; he has been disturbed, but the property, the main portion, has not been disturbed for farming purposes, and I do think that he can be made whole by payment of damages and save the Government money, having reference to his damage. That is what we propose to do now. In June I made the proposition of taking this half here, and it wouldn't split his farm in half. If we took only the 24 acres he had two pieces really. I suggested we take only this portion here which included his hill land, and that was not approved. He agreed to do that but they didn't agree at Washington; they said "no" at that time.

Judge JONES. His position is that if they took the tract and returned that part which is impossible to use as a farm, they damaged his farm with all that land lying east of the railroad.

Col. BUSCHEE. The stand, of course, they take in Washington is, that you can't damage the land more than its value.

Judge JONES. When you have two kinds of property, you don't take it on the average piece; you take it on the value of the property.

Col. BUSCHEE. That hill land was worth between \$50 and \$70 an acre. There is no real estate man would appraise it for more than that.

Judge JONES. He based his damage on his investment and has sold out his farm implements and has changed his mode of living and it is impossible for him to get back in the position he was. He relied upon the good faith of the Government.

Col. BUSCHEE. The case of William Aichholtz: I believe Col. Valentine said something about it early this morning. He moved off and bought another farm. He is in a bad way. He expected the proceeds of this farm to pay for the other one. We returned it to him. He came in for his damages.

The COMMITTEE. That \$5,452,500 and something; is that for buildings?

Col. BUSCHEE. Buildings and labor.

The COMMITTEE. That does not include anything else, the cost of real estate?

Col. BUSCHEE. Not a cent; no sir.

The COMMITTEE. There is an itemized list that you had; can we put that in the record?

Col. BUSCHEE. Yes, sir. That is up to February 21, 1919. The subsequent expenditures I know nothing about. I merely got this as a basis for argument why the Government should purchase it, because of the investment they had on the land.

The COMMITTEE. \$176,000?

Col. BUSCHEE. It totals up \$159,000. The \$26,000 was estimated to cover the condemnation of the Broadwell tract.

The list referred to by Col. Buschee is herewith set out:

NOVEMBER 4, 1919.

Project: Site of Nitrate Plant No. 4.

Location: Cincinnati, Ohio.

Acres required, 516,389 per options.....	\$176,000. 00
Fixed facilities by Government (Nitrate Plant No. 4).....	5,484,656. 32

Government's total investment in site and facilities—If title is acquired to portions of site not yet acquired (this to include 516 acres on which construction has been started):

Material and equipment.....	5,484,656. 32
Land, 516 acres.....	176,000. 00

Total.....	5,660,656. 32
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Estimate market (sale) value of site and facilities listed above:

Land, 516 acres, \$100 per acre.....	51,600. 00
Machinery and equipment.....	298,585. 00
Buildings and utilities.....	106,052. 00

Total.....	456,237. 00
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Estimated salvage value of facilities if removed:

Machinery, equipment and material.....	298,585. 00
Cost of removal, 15 per cent.....	44,788. 00
Total.....	253,797. 00
Buildings and equipment.....	136,052. 00
Cost of tearing down and removal, 60 per cent.....	63,632. 00
Total.....	42,420. 00

Grand total.....	296,217. 00
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Estimated cost of salvaging and restoring site, 40 per cent of \$456,237....	182,495. 00
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Estimated cost of removing stored material fixtures and equipment, 25 per cent of \$456,237.....	114,059. 00
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The COMMITTEE. After you have \$176,000 you still have left the Edwards tract, the Broadwell tract, and some of those other tracts?

Col. BUSCHEE. No; that \$176,000 is estimated to cover the purchase of the 24 acres at the option price. If we turn that back that will reduce the \$176,000, and as his damage can't be greater than its value it will be within the \$176,000. That figure might also be reduced, because of the fact that we have reached an agreement with Mrs. Brown to take all her property back and payment of damages. The claim there awarded may not equal the value of that 8 acres that she would get back.

The COMMITTEE. As to the 516 acres, will that be available for the use of the Government?

Col. BUSCHEE. That is a question I can not answer. It is controlled by the Ordnance Department; I have no knowledge of it. I believe it is contemplated to sell. I think if it can be utilized for any purpose it will be; if not, it will be sold or offered for sale.

The COMMITTEE. I suppose you don't know anything about the cost of operating or maintaining men since February 1?

Mr. LONGWORTH. Yes, let us have those figures.

Col. BUSCHEE. I believe Mr. Hopple can give you something on that.

Mr. HOPPLE. The pay roll and everything, \$14,000 a month.

Mr. LONGWORTH. What is that being used for?

Mr. HOPPLE. They are used for warehouses, for material in this district, loading and unloading.

The COMMITTEE. Are they shipping ordnance here now? Where do they come from?

Mr. HOPPLE. Coming from the outside—Dayton.

The COMMITTEE. What kind of stuff is it?

Mr. HOPPLE. Six-ton tractor parts—6-ton tractor component parts.

The COMMITTEE. How many carloads can be put in there?

Mr. HOPPLE. About 200 to 250 cars can be put in there.

The COMMITTEE (to Col. Buschee). I observe that \$943,318.40 is the cost for buildings, labor, and material, and that the total cost is \$5,452,527.01. In other words, approximately one-sixth of it is for the buildings. Now, what are the other five-sixths for?

Mr. HOPPLE. Sewer system, implements, and machinery, and other incidentals.

Col. BUSCHEE. The sewer system is not on there.

The COMMITTEE. Can we get into this record a list of the expenditures out there?

Mr. HOPPLE. I can get that cost of machinery and implements, etc.

The COMMITTEE. Commission to the contractors, etc.?

Mr. HOPPLE. No, we didn't have that; we simply had a record of the stuff of the cost in turning it over to us. No, I don't know anything about that. You would have to go to the corporation records for that, or what is now the Nitrate Commission.

The COMMITTEE. Would that be included in this five and one-half millions?

Mr. HOPPLE. Yes, sir, it should be included.

The COMMITTEE. Is the land in this five and one-half millions?

Mr. HOPPLE. Yes, sir.

The COMMITTEE. How much will it cost to get this real estate and pay the consequential damage in a right way?

Col. BUSCHEE. It will not cost more than \$176,000.

The COMMITTEE. To get title in the Government?

Col. BUSCHEE. To get title in the Government. What damage it will be is a question of the amount of all the claims.

The COMMITTEE. You are cutting the Broadwell tract in two and the Aichholtz in two, which, of course, I imagine would cost a large consequential damage. Now, if it is desired to buy this land with the idea that the Ordnance Department can hereafter sell it to advantage, and I assume that is what the idea is, not acquire the whole of those tracts, to save yourself consequential damage, then you have the land and can sell a part and—or do you have any choice about that?

Col. BUSCHEE. We have no choice about that.

The COMMITTEE. Some one in Washington tells you what to do?

Col. BUSCHEE. Some one in Washington tells us what to do and we make recommendations along that line.

The COMMITTEE. Don't you think that is the best thing to do?

Col. BUSCHEE. I think it is the only thing to do—not in every case. In those two cases it is the only thing to do; the man is getting nothing but the poor part of his farm.

The COMMITTEE. He is entitled to complete damages.

Col. BUSCHEE. Equal to the value of his land.

The COMMITTEE. If the Ordnance Department has to pay that amount, they may as well have the land.

Col. BUSCHEE. I might say this: I have been informed while I was here in June that an effort was made to acquire it. A man approached me and offered to purchase the entire site at exactly what the Government paid for it, and would consider the purchase of the houses and the structures in addition to that. However, I have nothing to do with that. That must first be cleared and offered for sale by the Ordnance Department.

The COMMITTEE. Why do you suppose the Ordnance Department circumscribed that tract, that big odd-shaped line?

Col. BUSCHEE. This hill land [indicating on large map] upon the hill—this is water. The hill comes in about here. This is the railroad. It was feasible to purchase. No construction on any of this except in this little corner.

The COMMITTEE. Any buildings out there of any salvage value?

Col. BUSCHEE. I think Mr. Hopple can answer that question.

Mr. HOPPLE. A lot of temporary buildings of salvage value. The arsenals and other permanent buildings can be sold for scrap. They are not suitable for any other purpose.

The COMMITTEE. If you salvage the whole business and turned the land back to the original owners, how expensive would it be?

Mr. HOPPLE. \$190,000.

Col. BUSCHEE. In the first place, you can't get it back in its original condition. It would cost more than the cost of the land.

The COMMITTEE. If the soil was destroyed, what can you sell it for?

Col. BUSCHEE. Get a plant to go in and take it.

The COMMITTEE. Is that land destroyed as an agricultural purpose?

Mr. HOPPLE. Only the foundations in there.

Col. BUSCHEE. Nothing is destroyed for agricultural purposes except that portion upon which the concrete foundation has been put in, which is right in there. [Indicating.] I don't think it would injure the land but very very little other than that. As to the land upon which the foundations are, there is no way on earth that you can restore that without dynamite. As a farm it is destroyed.

I would like to read into the record the portion of the recommendation that was made to the Secretary, and that will answer your question as to what the salvage value is:

NOVEMBER 4, 1919.

The estimated market value of buildings and utilities.....	\$106, 052
Estimated market value of the site.....	51, 600
	<hr/> 157, 652
The estimated cost of salvage and restoring site.....	182, 495
Plus the estimated cost of removing stored material, fixtures, and equipment.....	114, 059
	<hr/> 296, 554
A grand total of.....	296, 554
If there is deducted from this total the estimated salvage value of the buildings and timbers, which is.....	106, 052
	<hr/> 190, 502
That would leave the difference of.....	190, 502

The expense that will be incurred in removing the facilities and restoring the site, the estimate value of the utilities and of the site.....	\$157, 62
Cost of acquiring the site.....	176, 00
Deducting this amount from the cost of acquiring the site.....	157, 62
The loss incurred if the site was purchased amounts to.....	18, 34
As against the estimated amount of.....	190, 52

Now, let us see how serious a job it would be to have a detachment of engineers blow out those foundations——

The COMMITTEE. How many are there?

Col. BUSCHEE. Practically this entire end of this [indicating] has concrete foundations.

The COMMITTEE. Are they very deep?

Col. BUSCHEE. It runs from 6 feet on, perhaps more than that.

The COMMITTEE. The maintenance of these things are very expensive and as long as the Government keeps it it will cost money, so why not go in and clean off the thing and restore it to its original condition?

Mr. LONGWORTH. It costs \$14,000 a month.

Col. BUSCHEE. That expenditure is incidental.

Mr. HOPPLE. \$14,000 is not maintenance. The material you have there must be shipped out. Your maintenance is a very small part of your \$14,000.

Col. BUSCHEE. The maintenance of Ancor, if it were not for the salvage, would be a very small amount—probably not over \$500 a month. You would have to have a watchman to watch the property.

Mr. LONGWORTH. You would have to have some fire department police, cars, etc., and a tract of land over 500 acres must be watched. It will cost quite a sum. You will find there are many storage plants where this stuff could all be collected, and the overhead in that way would be diminished. If it is to acquire for the purpose of sale, better get it in shape and sell.

Col. BUSCHEE. That is the sole purpose.

The COMMITTEE. Unless you have some responsible prospect who would or might go in there, better get it back in shape.

Col. BUSCHEE. The Government could hardly offer the real estate for sale; it has not the title. But the purpose of acquiring it is to sell it.

The COMMITTEE. What did you do over on the Campbell tract?

Col. BUSCHEE. They moved off the Campbell tract, but he will not take it.

Mr. CAMPBELL. You say, they have moved off?

Col. BUSCHEE. I am told so. They had a coal pile on there when I saw it last and they stored some machinery on it, and, I believe, early in spring Mr. Campbell had a little garden on part of it——

Mr. CAMPBELL. I did not have a garden on any part of the Government land. It is perfectly absurd for anybody to make a statement of that kind.

Col. BUSCHEE. The record so shows.

Mr. CAMPBELL. Whoever made up the record lied.

The COMMITTEE. Were there coal piles on that particular tract?

Mr. CAMPBELL. Piled on top of the ground.

Col. BUSCHEE. That has been removed.

Mr. CAMPBELL. What has?

Col. BUSCHEE. The coal.

Mr. CAMPBELL. It has not; it is on my land now.

The COMMITTEE. I understand there was a switching track on the wards tract; do you contemplate taking that off?

Col. BUSCHEE. Yes, sir; the engineer with his men is now estimating and are going to move that track around here, and they will take the track and everything off.

The COMMITTEE. They are used for what? What do you need it for now?

Col. BUSCHEE. That is the main line to the railroad. They are moving this stuff to sell it, and they are switching over this track—taking down these steel structures.

The COMMITTEE. Are these steel structures being sold?

Mr. HOPPLE. They are being transferred to the arsenal.

The COMMITTEE. Where, Rock Island?

Mr. HOPPLE. Frankfort, Rock Island.

Col. BUSCHEE. We had a number of these inquiries for these buildings from machine shops. They can be used for a special purpose, single purpose. There is not room enough for a machine shop. You can get a better idea by seeing the buildings yourselves.

The COMMITTEE. Did you, Colonel, ever have an estimate made as to the cost of putting that land back in shape, say, by an engineer?

Col. BUSCHEE. I think not; I think the Ordnance Department has such an estimate.

The COMMITTEE. With an engineer department?

Col. BUSCHEE. No; of their own experience.

The COMMITTEE. That is where this \$195,000 came from?

Col. BUSCHEE. Yes, sir; I will read this. The Government's total investment in this is \$5,484,656.32.

Mr. LONGWORTH. Isn't that misleading? You said the real estate was not included.

Col. BUSCHEE. No; I will read that now: If the title is acquired to the portions of the site not yet acquired, land at 516 acres, plus that, making a total of \$5,660,656.32. Then they estimate the market value of site and facilities listed above:

Land at \$100 per acre.....	\$51,600
Machinery and equipment.....	298,585
Buildings and utilities.....	106,052

Making a total of..... 456,237

The COMMITTEE. Salvage?

Col. BUSCHEE. Yes, sir.

The estimated salvage value of facilities, if removed.....	\$298,585
Cost of removal, 15 per cent.....	44,788

Grand total..... 253,797

Buildings and equipment.....	106,052
Cost of tearing down and removal, 60 per cent.....	63,632

Leaving a total of..... 42,420

Estimated cost of salvaging and restoring site, 40 per cent of \$456,237.. 182,495

Estimated cost of removing stored material, fixtures, and equipment, 10 per cent of \$456,237..... 114,059

Personally, I think the real estate value is very low at \$100 an acre because along the I. D. Jones property there is a sewer running through to the river which was all on top of the ground. Has not been destroyed. The greatest loss, so far as illustration is concerned, is up here wherein the heavy foundations are. I think you can get more on the others. As I have said, the only fair way is to purchase the whole site and sell it for what it cost the United States. The purchaser could pay 30 per cent of the purchase price and a longer time in which to complete the purchase.

The COMMITTEE. Was the man who inquired about purchasing it a manufacturer?

Col. BUSCHEE. No; wanted it for the purpose of a gravel pit. There is a big gravel pit over on one side, the Contractor's Stone & Gravel Co., and this land generally is more or less gravelly and can be used for that purpose. That was the intention of this man calling on me when he made that offer.

Mr. LONGWORTH. Can I ask you a question or two? I don't know whether you are familiar with it or not—I understand this work is 18 per cent completed, and the cost so far has been something over \$5,000,000.

Col. BUSCHEE. I believe that is correct.

Mr. LONGWORTH. It was originally estimated that the plant was to cost about \$12,000,000?

Col. BUSCHEE. That I do not know; I have not seen those figures.

Mr. LONGWORTH. Well, if 18 per cent has cost \$5,000,000, that estimate was probably very much under?

Col. BUSCHEE. Very much under, I should say.

Mr. LONGWORTH. Because at the same time it was estimated that the Muscle Shoals plant cost \$35,000,000 which this doesn't include?

Col. BUSCHEE. No.

Mr. LONGWORTH. You—and the total cost of the Muscle Shoals has been over ninety?

Col. BUSCHEE. I don't know.

Mr. LONGWORTH. You did not include in this \$5,000,000 the money paid to the Air Nitrates Corporation?

Col. BUSCHEE. No, sir; I did not. I have never seen the contract. A good many contracts on the plant I have seen included the cost of real estate; in other words the contractor agreed to select and purchase a site, and I would venture to say they did it that way in Ancor, but they asked the local real estate men to assist. I am not certain about that.

Mr. LONGWORTH. Your knowledge of this proposition is on the real estate side?

Col. BUSCHEE. Yes. They erected a plant of \$5,000,000 on property worth \$176,000. It was certainly to the best interest of the United States to purchase the site.

The COMMITTEE. Is it the intention of the Government to pay no damages which are not purely crop damages?

Col. BUSCHEE. That I can't answer. I think Col. Valentine can answer that.

The COMMITTEE. Take, for instance, Mr. Campbell's place. Is it the intention to return to him the 2 acres taken and pay no damages for the land?

Col. VALENTINE. Oh, no; the department has never taken that attitude. The idea is this: we are not making a man whole by giving back his property. There is a certain amount of damages caused by sentiment.

The COMMITTEE. Suppose his property appreciated 50 per cent; could the Government take that into consideration?

Col. VALENTINE. I hardly think so. That comes under the heading of consequential damage, and I don't think they will consider that.

The COMMITTEE. As a matter of fact the Government is allowing for nothing but crop damage?

Col. VALENTINE. Actual damages.

The COMMITTEE. If you will take and give every man who owned 100 acres—you will take an acre and pay him nothing for it but return it afterwards and thereby the value of his property should depreciate, say, 50 per cent, the Government would take no notice of that?

Col. VALENTINE. I don't know what law that would come under.

The COMMITTEE. Who can answer that?

Capt. MITCHELL. I should say that such a claim could be heard in the Court of Claims.

The COMMITTEE. You mean it would have to be taken to the Court of Claims?

Capt. MITCHELL. I believe it would if the owner insisted upon the claim. My understanding of the board of appraisers, they will only act on things that are absolutely certain.

The COMMITTEE. Suppose an owner would show that he had paid a certain amount for his property and that by virtue of the building of this plant, or any other Government nitrate plant, he was unable, when the work had stopped in that plant, to obtain more than 50 per cent that he had actually expended upon it; will the Government take any recognition of that damage?

Capt. MITCHELL. The board of appraisers will.

The COMMITTEE. Exactly as under condemnation at the time they settle the claim?

Capt. MITCHELL. That would mean damage to the residue. I am unprepared to say how much of your case would be. I am certain the board of appraisers would not consider the property as under condemnation for the purpose of establishing a nitrate plant now, because the Government has definitely abandoned that project. They will consider the claim based on the actual condition of the property as it stands to-day, or at the time it considers the claim, and it will settle it under the rules as laid down in condemnation proceedings.

Mr. CAMPBELL. Please tell the committee what you think of my acceptance of the return of my land to me would have on any claim for damage to the residue on my behalf.

Capt. MITCHELL. So far as the consideration of the board of appraisers is, I think, it will have none.

Mr. CAMPBELL. As a matter of law it would deprive me from any claim to the residue?

Capt. MITCHELL. As a condemnation proceeding, I am of the opinion it would.

Mr. CAMPBELL. Col. Buschee, isn't it the purpose to return my 2 acres to me for the purpose of depriving me of any claim for damage to the residue?

Col. BUSCHEE. Not at all.

Mr. CAMPBELL. Why would they do it?

Col. BUSCHEE. They will return your 2 acres and ask you to present your claim. What the claim is, and what the award would be, I can't say.

Mr. CAMPBELL. Why do they return my 2 acres when——

Col. BUSCHEE. You had refused to sell to the United States because of the fact that there was no way we could negotiate.

Mr. CAMPBELL. Why not? Who ever tried to?

Col. BUSCHEE. I did; I asked you what you would take?

Mr. CAMPBELL. You did?

Col. BUSCHEE. For the 2 acres.

Mr. CAMPBELL. And you said you had no authority?

Col. BUSCHEE. Absolutely; I had no authority.

Mr. CAMPBELL. You told me at the time you had no authority?

Col. BUSCHEE. I was solely a purchasing agent.

Mr. CAMPBELL. You told me you had no authority to do anything more than to see if you could agree with me without any reference to the value of the damage to the residue?

Mr. LONGWORTH. I have been for the last 15 months trying to make the department make some sort of settlement, to find out whether they would or not, and I have yet to find the man who has authority to settle.

Col. BUSCHEE. I have authority to buy within this line and settle immediately.

Mr. LONGWORTH. You mean to acquire title?

Mr. KEARNS. I have for six months tried to get some information from the War Department and I will say that until I came across Col. Valentine I couldn't find anybody who could give you any information at all. I will say that Col. Valentine has attempted to do what was right out here and he is the only man from the department who would treat you courteously.

Mr. LONGWORTH. You told me Col. Valentine had full authority.

Mr. KEARNS. I thought he had.

Col. VALENTINE. I am a member of the board of appraisers. We receive damage claims; that is, we take evidence and then write a report as to what we consider fair and equitable. This will be done next week. The report will be placed before the board and a decision arrived at as to whether or not an award shall issue. That is then put in shape by the recorder of the board, and if approved by the Secretary of War, is paid. That is the general plan under which we act. Now, I have no authority to pay anything. All I can do is to recommend to the board of appraisers; simply a figure. It is of no value unless approved.

Mr. LONGWORTH. The board of appraisers approve every settlement; who else?

Col. VALENTINE. The Secretary.

Mr. LONGWORTH. Direct?

Col. VALENTINE. Some of these claims are passed by the War Claims Board. I know that because I have a Dent Act claim with a gentleman in Baltimore, and that has been approved by Mr. Doerrs; that is how I know. In reference to the class of claims and what I can accept and reject with reference to these claims. There are three classes of farms: One is the farm that the Government

turned in its entirety; the owner of that can come in here with a damage claim for any physical damage to his land.

Mr. LONGWORTH. Is that the land actually taken in this 576 acres?

Col. VALENTINE. No; to be returned by the Government. Take the case I considered yesterday of one Bickel. Bickel optioned his farm to the Government, but the Government proposed to breach a contract. I received a damage claim based on this. He could not plant fall crops because we occupied the land. He tried to prove that he might have planted. That was based on something that could not be proven. The way to get around it, and the way I proposed to get around it, is on this theory: That we take 8 acres away from him and pay him rent for the use of that property until long in March when he planted his crops. We pay him rent for the 8 acres. Now, he had an additional damage due to teams hauling tuff over his land. In this particular case it was shown in the evidence that the hauling was done when it was raining. The subsoil had been turned up and brought to the surface. He has a damage claim. If in that case he could have shown that his fences were removed from one place to another I would allow him damages in a reasonable amount for moving those fences to where they were. I will allow damages to the surface of the soil. We are trying to settle that class of claims along those lines. The loss of interest on his money can not be allowed by the board of appraisers.

Mr. LONGWORTH. Can they be allowed by anybody?

Col. VALENTINE. Nobody in the department.

Mr. LONGWORTH. What would be the possible use of bringing a claim in the Court of Claims? I see claims coming up every day over 50 years old. I rather despair of these men getting their money.

Col. BUSCHEE. This is the option taken on Nancy Marriot's land:

OPTION.

For \$1 and other good and valuable considerations to us paid by the United States Government, the receipt of which is hereby acknowledged, the undersigned being the owners of real estate in Anderson Township, Hamilton County, Ohio, more particularly described as follows: All our bottom land consisting of three separate pieces, one on Round Bottom Road between Denneman and Turner, being about 36½ acres, another between the river and N. & W. R. R. on both sides of Round Bottom Road, about 5 acres, and a third piece being the bottom land running to the fence at the foot of the hill between Klatte and Dom, actual acreage to be determined by survey—no improvements included—hereby gives and grants to the United States Government or its assigns an option to purchase same for the sum of \$250 per acre, this option to remain open for acceptance, in force and irrevocable for 60 days from date.

If the said property is purchased, we agree to convey same by general warranty deed with release of dower; title at the time of purchase to be clear, free, and unencumbered, except future taxes.

JOHN J. MARRIOT.
NANCY MARRIOT.

Witness:

G. B. GROESBECK.
WALTER S. SCHMIDT.

I agree that if said property is purchased and possession required before crops are harvested, and said crops are destroyed, that the damage to me thereby is as follows: about 26 acres in corn, at \$100 per acre.

NANCY MARRIOT.

Witness:

G. B. GROESBECK.
WALTER S. SCHMIDT.

Mr. LONGWORTH. Now, if three months have passed and the Government takes possession, where is the title?

Mr. CAMPBELL. There is an acceptance which he has not read.

Judge JONES. This is the Edwards option and acceptance:

AUGUST 14, 1919

For \$1 and other good and valuable considerations to us paid by the United States Government, the receipt of which is hereby acknowledged, the undersigned, being the owners of real estate in Anderson Township, Hamilton County, Ohio, more particularly described as follows: All our land in this locality containing approximately 285 acres fronting on both sides of Round Bottom Road and running to the Little Miami River—hereby give and grant to the United States Government or its assigns an option to purchase same with improvements thereon for the sum of \$73,000.

This option to remain open for acceptance, in force, and irrevocable for 60 days from date.

If the said property is purchased we agree to convey same by general warranty deed with release of dower, title at the time of purchase to be clear, free, and unencumbered.

We agree that if said property is purchased and possession required before crops are harvested, and said crops are destroyed, that the damage to me thereby is as follows:

Forty-two acres in corn, at \$100 per acre; 10 acres in potatoes, at \$150 per acre.

GEORGE S. EDWARDS.
S. M. EDWARDS.

Judge JONES (continuing). This is the acceptance:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
PURCHASE, STORAGE, AND TRAFFIC DIVISION,
Washington, September 30, 1918.

GEORGE S. EDWARDS AND S. M. EDWARDS,
Anderson Township, Hamilton County, Ohio.

DEAR SIR: Your option of August 14, 1918, to the United States Government for the purchase of all your land in this locality, containing approximately 285 acres fronting on both sides of Round Bottom Road, and running to the Little Miami River, for the sum of \$73,000 is hereby accepted.

It is requested that you forward a complete abstract of title and form of warranty deed to the Chief of the Real Estate Section, Purchase, Storage, and Traffic Division, Washington, D. C., or they may be presented to the Government's agent in the transaction, Mr. Glendinning B. Groesbeck, 136 East Fourth Street, Cincinnati, Ohio, who will in turn forward them. The blank deed submitted should name the United States of America as grantee and should be in the form customarily used in your community.

This acceptance applies only to land. Payment for any crops which may be or may have been destroyed will be made after the Government's agent or representative has certified as to their destruction.

Very respectfully,

JAMES S. HOLDEN,
Major, United States Army, S. H. H.

Receipt of the above acceptance is hereby acknowledged.

GEORGE S. EDWARDS.
SAMUEL M. EDWARDS.

Mr. LONGWORTH. At the end of 60 days that option turns into a direct agreement?

Judge JONES. Surely; no question about that.

Mr. LONGWORTH. And none of these people on this place have been paid a cent?

Judge JONES. They have not.

Mr. LONGWORTH. It does seem peculiar that the total amount of the real estate in this transaction amounted to \$150,000, the amount paid for the total plant, which is 18 per cent complete, being the sum over \$5,000,000 that the big contractors have gotten their money right off the bat and these people did not.

Col. BUSCHEE. The passage by Congress of the bill stopped all payments.

Mr. LONGWORTH. The thing you are referring to is only two or three months ago.

Col. BUSCHEE. I know I figured when I got to Washington in June—I had the Ancor situation all prepared. Abstracts had come in and had been examined. That, of course, took a good deal of time. The Attorney General has to pass on all the abstracts. When I got back to Washington the latter part of June we were informed over the telephone that all real estate purchases were stopped, and then the act was passed on the 11th day of July, and that is the reason for the delay since then.

The COMMITTEE. These options were made in September before the armistice?

Col. BUSCHEE. Yes, sir.

Mr. LONGWORTH. And nearly 9 or 10 months before we passed that act.

Mr. KEARNS. Even that act didn't prevent the settlement of damage claims.

Mr. LONGWORTH. Were the titles examined and passed in all of these cases?

Col. BUSCHEE. Along in June.

Mr. LONGWORTH. Within 60 days after the option?

Col. BUSCHEE. No, Mr. Longworth; the options were accepted.

Mr. LONGWORTH. Title has not passed, but the contract passed?

Col. BUSCHEE. I think the Guarantee & Title Co. made the abstracts.

Judge JONES. The Government has a crop on it now.

Col. BUSCHEE. That is absolutely without any sanction of the Government.

Judge JONES. Without our power to interfere.

Col. BUSCHEE. You have a right.

Mr. CAMPBELL. I would like to say something here. When these options were taken, there were two pieces of property which were seized without any authority, and without following the provisions of the law. The act under which the Government was proceeding was section 6911a, passed April 11, 1918, which can be found in United States Compiled Statutes, 1918, Compact Edition. It provides that hereafter the Secretary of War may cause proceedings to be instituted in the way of the United States in any court having jurisdiction of such proceedings. I will read the section:

Hereafter the Secretary of War may cause proceedings to be instituted in the name of the United States in any court having jurisdiction of such proceedings for the acquirement by condemnation of any land, temporary use thereof, or other interest therein, or right pertaining thereto, needed for the site, location, construction, or prosecution of works for fortifications, coast defenses, military training camps, and for the construction and operation of plants for the production of nitrate and other compounds and the manufacture of explosives and other munitions of war and for the development and transmission of power for the operations of such plants; such proceedings to be prosecuted in accordance with the laws relating to suits for the condemnation of property of the States wherein the proceedings may be instituted; *Provided*, That when the owner of such land, interest, or rights pertaining thereto shall fix a price for the same, which in the opinion of the Secretary of War shall be reasonable, he may purchase or enter into a contract for the use of the same at such price without further delay: *Provided further*, That the Secretary of War is hereby authorized to accept on behalf of the United States donations of land and the interest

and rights pertaining thereto required for the above-mentioned purposes: *And provided further*, That when such property is acquired in time of war, or the imminence thereof, upon the filing of the petition for the condemnation of any land, temporary use thereof, or other interest therein or right pertaining thereto to be acquired for any of the purposes aforesaid, immediate possession thereof may be taken to the extent of the interest to be acquired and the lands may be occupied and used for military purposes, and the provision of section 355 of the Revised Statutes, providing that no public money shall be expended upon such land until the written opinion of the Attorney General shall be had in favor of the validity of the title, nor until the consent of the legislature of the State in which the land is located has been given, shall be, and the same are hereby, suspended during the period of the existing emergency.

No condemnation suit was instituted here. You will see that under the law, the secretary had authority to enter upon this land immediately after the suit of condemnation. He did not have to wait for the assessment of division or compensation awarded by a jury in the usual form. He could have filed a condemnation suit and moved right in. No condemnation suit was filed in this case, and I want to say that if Capt. Mitchell can find any act that in any way modifies or amends or repeals that provision, I would like to have him show it to me.

Mr. LONGWORTH. Does the word "nitrate plant" occur there?

Mr. CAMPBELL. Yes, sir. That was passed as an amendment to a preceding statute, just to cover this situation. They are both in this volume (United States Compiled Statutes, 1918, Compact Edition).

Mr. LONGWORTH. Yes, we amended it.

Mr. CAMPBELL. Now, on August 20—I think it developed here at the hearing day before yesterday—to give you an example of what happened to a young tenant farmer, Mr. Eugene Philhauer, who farmed the Broadwell farm, was notified by Col. Sawyer, the officer in charge of the nitrate plant, that he must move. I think he came on Friday night, and said that he must be out of his home by Monday, the following Monday. Three scimpny days in which to move; one of them Sunday. Mr. Broadwell, the owner of the land, came to me that Friday night and told me of this. Mind you, in this case, there had been no agreement reached with the United States Government, and no option was given, much less accepted. No condemnation suit was filed. Mr. Broadwell came to me, and I came down town the next morning, and called up Mr. Albert Morrill, counsel for the air nitrate plant in Cincinnati, and explained the situation to him. He immediately said that they had no authority and that he would call up Mr. Sayer, the local representative of the nitrate plant. Mr. Sayer told Mr. Morrill he did not know anything about it, but that he would write a letter to Mr. Philhauer. I had arranged this with Mr. Morrill, telling that that entrance was without notice, and that he might stay there until such time as the Government might legally demand the possession of the premises.

Mr. Morrill had me dictate over the telephone to his stenographer, a letter that would be satisfactory for me to take back with me, and promised to have Mr. Sayer sign and send it to my office, and an hour or an hour and a half passed. Mr. Broadwell and I wanted to go back to our homes, and Mr. Morrill called me up and told me he would like to have me come to his office; that Col. Sawyer was there, and that there was some hitch about it. We went to Mr. Morrill's office, where we met Col. Sawyer and Mr. Sayer, and we

argued this out. Former United States Attorney Sherman T. McPherson was with us, and presented the legal end of the thing on Mr. Broadwell's behalf, as well as mine. He thought they had no authority to do this, but that we did not want to hinder or obstruct the Government in any way, but that our legal rights could not be established if we didn't insist on these condemnation proceedings, and we threatened an injunction against them moving Mr. Philhauer from this land. Col. Sawyer said: "I don't care a damn for any injunction. I am going on there Monday whether Mr. Philhauer is there or not. If he is, I will put him out."

That is the kind of treatment these people were subjected to when the Government took over this land. Why, here was a young tenant farmer—it is shown in the record here—who had four horses, three milk cows, and machines of every kind, which he owned himself for the farming of his land. He had an agreement with the owner of the land by which he was to receive one-half of the crops, where the ordinary agreement is the tenant receives only one-third of the crop. He was moved out bodily. He moved out because we decided we would not bring an injunction suit; it was not going to do any good—Col. Sawyer would go ahead anyway. I am not criticizing Col. Sawyer; I just want you gentlemen to understand the way these people were treated.

Mr. Philhauer went over to Newtown, "the City of Opportunity" that Mr. Longworth has spoken about this morning, and he couldn't find a place to live. Prices were booming; options were taken on property—30 cents one day; \$30,000 the next day.

Mr. Philhauer couldn't find a place to get in. He finally located two rooms where he could take his family—he sent his cattle to an uncle of his wife in New Richmond, and put the remainder in a stable where he had to pay rent, feed bill, and board of these horses. He tried to get another farm and couldn't, but finally bought a little grocery in Newtown on credit, and he is there in Newtown today, running this little grocery—absolutely no chance for that young man. I don't believe he knows how to run a grocery. His father before him was a tenant. He grew up. Mr. Philhauer hasn't done anything but farming until he bought this grocery. That man is ruined, in my judgment, and he never has received a nickel from the United States Government for compensation, and Lord knows when he ever will receive compensation if some congressional action isn't taken.

Talk about us trying to agree with these people. I will give you an example of one owner, an old lady, whose mind has been practically destroyed by her worry by the location of this plant there, and by the Government taking part of this property of Sarah Brown. The Government took 23 acres at \$250 an acre. She didn't want to give it up, but it was on my advice that this was done. She thought \$250 was fair. The best thing for her to do. Now, after the armistice was signed, Mr. Groesbeck, the Government's agent, went to Mrs. Brown—sent a letter to her—asking her if she would release the Government and take a part of this property back. The plant included about 8 acres, and there were 15 acres outside the fence. Mrs. Brown turned this letter over to me. She says: "Yes, I will take that land back if they pay the damage for the occupation and use of it." Part of her land was used for a ditch and another part

of it for a road. A great big stack of scrap lumber was piled in the middle of this 15 acre field.

I went to Mr. Groesbeck, the Government's agent, and told Mr. Groesbeck what we wanted—what we were willing to do. He said: "That is perfectly fair. We will enter into that agreement. I will recommend it." Some time later I was told that Lieut. A. A. Roberg had been given authority in this matter, and that he, Mr. Groesbeck, no longer had the authority. I went to Lieut. Roberg—saw him in his office in the Ancor plant, and went over the matter with him. He said: "That is perfectly fair; I will recommend that to the Government."

Weeks after that Lieut. Roberg told me that authority had been taken away from him to make settlement on that basis, and has now been placed in the hands of a board, which consisted of Mr. Groesbeck, Mr. Roberg, and one other man. But he said, "Mr. Roberg and I understand the situation and we are a majority, and that agreement will undoubtedly go through," and he said, "You needn't appear before the board."

Lieut. Roberg reported to me in two or three weeks that the board had met and passed on my claim, and it was all right. I never heard anything more about that until June 9, I think it was, when Mr. Groesbeck called me over the telephone and said that authority had been taken away from the board, and that its recommendation amounted to nothing, and that I was to appear before Col. Buschee, and I went to see Col. Buschee, and in five minutes we agreed. Isn't that so, Col. Buschee?

Col. BUSCHEE. We surely did.

Mr. CAMPBELL. And now I am before Col. Valentine here—I am before the fifth authority to determine upon the claim that has been adjusted satisfactorily to the Government, and I can't get any action.

Now, that is the kind of business we have been doing. Is that not right, Lieutenant?

Lieut. ROBERG. Yes, sir; that is right.

Mr. CAMPBELL. How long are we going to be subjected to this method? I say to you that the Huns in Belgium were no more ruthless than the United States authorities have been in the activity here. We still are just as far to-day from any settlement of this business as we were in the beginning. You take my own case. When Mr. Groesbeck came to me, he asked me what I wanted for my 2 acres of ground. I explained to Mr. Groesbeck that those 2 acres were the only land I wanted reserved for myself; but when I had an option on the whole farm, I would want to reserve these 2 acres for myself. I have reserved those 2 acres for two purposes: For a garden near my house—all the rest is hill land undesirable for garden purposes; and next, to keep any undesirable building to be put up in front of my house.

Mr. Sayer, the agent of the Air Nitrates Corporation, had told us—when I say "us" I mean a committee of citizens—that this would be a temporary air nitrate plant, and couldn't be maintained after the period of the war, as the cost of production was prohibitive.

Mr. LONGWORTH. That isn't what he said.

Mr. CAMPBELL. Oh, that is what he told the president of our park board and the president of the Cincinnati Gas & Electric Co., and some other gentlemen. We were all together.

Mr. LONGWORTH. They were looking for that \$500,000.

Mr. CAMPBELL. They wanted this land and they were telling people anything. Col. Joyce went before the dinner given by Mr. Freeman, president of the Union Gas & Electric Co., at the Queen City Club, and he told these people there was no gas, no fumes, no smoke, no dust except a little dust that they expected to drop down themselves. His speech was taken down in shorthand and published. Mr. Sayer suggested to Mr. Ault to start right now to make arrangements to have turned over to the city of Cincinnati at the end of the war to make park out of this. They were telling people anything. You will see that kind of a park that would make when you get out there.

Now, explaining this to Mr. Groesbeck that I needed these 2 acres and that I would be glad to give them to the Government for the period of the war, if they could be turned back to me for my garden after the war was over, Mr. Groesbeck went there and communicated that fact to Washington. He got no answer for six or seven weeks. In those six or seven weeks I was ordered, on two days' notice, to get my potatoes, the only crop I had, to get them out. Col. Sawyer sent men there. I was notified at 11 o'clock on Saturday. They followed on Monday. They sent men to dig up the potatoes while my men plowed them out. Mind you, there was no arrangement at all with me. They went through that land with plows. They used shovels. My land was higher than that of my neighbor, Mr. John Aichholtz. They scooped it off and shoveled the dirt on Aichholtz's land. They cut trenches on the land. One of them is a trench that deep [indicating]. They filled that with cinders and gravel. They put great concrete blocks away down deep. Talk about restoring that land. They have figures here of their own, showing it would cost \$1,500 an acre to restore that, and I say that they can't do it for \$15,000. They put these concrete blocks in to support the coal piles there. They put a big platform in there and piled thousands of tons of coal. They put up four or five temporary buildings—have all been removed, although I'm not certain. At any rate, four railroad tracks are still there; part of this coal pile is still on my land, and parts of the concrete are still in there where you can see them.

Yes; I say that was all done before Mr. Groesbeck came back, and when he did, he said: "The Government will not accept your offer." We got it in the record right here. There is no dispute between me and anybody. We are agreed on every statement of fact I make here that the Government rejected my offer. If they wanted the fee to the land and that by the time he came to me again with this story of rejection, he said he had been instructed by the War Department to see if he could agree with me as to the value of my whole tract—they wanted the whole thing. What they wanted my house for, I learned from one of the officers here, that they wanted to make a quarter for officers. This was in October or early in November.

The COMMITTEE. 1917?

Mr. CAMPBELL. 1918. Mr. Groesbeck asked me what I thought my place was worth. I told him I had no notion. He suggested that my place was such a place that replacement value was the only fair value, and I will say as a lawyer that this is the only legal way, because there is no market value for such property. It is unique. There is nothing like it.

I told Mr. Groesbeck if he would appoint some high-class builder in Cincinnati and let him measure that up, telling him he wanted a fair valuation of that property, that I would take the figures of any such man he would appoint. Mr. Groesbeck said that is fair, and he went away, and in a week or so he told me that he had appointed Mr. William Griffith, of James Griffith & Sons, of Cincinnati. I said that was entirely satisfactory. I didn't know Mr. William Griffith, but the firm with which he is connected is a very high-class firm. Mr. Griffith went out there and took an estimator with him, and he made a valuation of my property. He reported to Mr. Groesbeck that the value of my improvements was \$38,300. Mr. Groesbeck said: "Well, that isn't what it would cost to replace it, is it?" Mr. Griffith said: "No, sir; it is what I would put up for Mr. Campbell now, but what I would put up for him now would be nowheres near the improvements that he has there now. You can't get the labor, and you can't get the material. It is gone; it is extinct; there is no such stuff." This house is between 80 and 90 years old. The workmanship of the interior is superior to that which is usually done now.

They had men in the Griffith plant who had been there for 45 years, and Mr. Lakamp told me that the art of doing that kind of woodwork was lost when those who had been with them were first employed by them. No carpenter now in the trade can do the work the way that was put up, and could not put up the millwork as it is done now. Mr. Groesbeck asked him if there wasn't something to be taken off for depreciation, and Mr. Griffith answered there was nothing to be taken off for depreciation. Those are the Government agents who reported. That didn't include my walks, drives, or my present gardens, or the masonry, retaining walls, and things of that sort I had put in, or any of the shrubberies. I have between 2,500 and 3,500 shrubs and flower plants. That figure did not include any of that.

Mr. Groesbeck, however, said that Mr. Griffith had misunderstood him. Mr. Griffith went to the house and estimated the value of my barn, the caretaker's cottage, and corn crops, and everything in the way of buildings, smokehouses, and everything, and Mr. Groesbeck said he wouldn't allow for these things. All that he would allow would be \$28,000, which was the value of my house, plus \$100 an acre for my land, and some few shrubs, and together he recommended \$37,500, which was \$800 less than his own estimator. I said I couldn't take such a thing as that.

Now, he had been told to ask for an option. All they wanted to know was whether the Government could acquire the property at a price that they felt would justify themselves in purchasing. Mr. Groesbeck never asked me and never suggested to me at any time that I had a claim for damages and that he was authorized to adjust with me. On the contrary, he said to me at the time I went to him, and he said in the record day before yesterday, that he never had any authority to discuss that with me, and that he wouldn't discuss it with me.

Col. Buschee called me before him in June, after I got through fixing up this Sarah Brown matter with him. I said I had a claim. "Well," he said, "Mr. Campbell, the only thing I am authorized to do is to agree to let you take your land back." I told him: "I can't take that land back, because if I do, I am going to destroy my right to compensation for the damages to the residue"—and you will

remember that Capt. Mitchell, of the Law Department of the Government, agrees with me on that legal proposition. Col. Buschee then asked me what I thought my 2 acres were worth. I answered between \$400 and \$500 an acre, but that the value of those acres was negligible compared with my claim to the residue. "Well," he said again, "I can't discuss the damage to the residue," and the conversation ended right there. That is in the record, and Col. Buschee agrees with that.

Now, the Secretary of War and Col. Joyce, of the Ordnance Department, have repeatedly said and have written to Mr. Longworth in answer to Mr. Longworth's inquiry about this, that repeated efforts, sincere and earnest efforts, had been made to adjust my claim for damages, and I say to you that the only two men on earth with whom I have taken this matter up or who spoke to me were Col. Buschee and Mr. Groesbeck, the Government's land agent, and both in this regard say they never had any conversation with me on the subject. I don't know why these lies are being told. I don't know why the Secretary of War, over his signature, should write to friends of his in Cincinnati and say these things which have absolutely no foundation. You can't get anybody on earth to give a word of corroboration.

To show the contemptible and disreputable methods that are being persisted in, or made for the purpose of annoying the department at Washington, the claim that part of my garden had been returned to me at my request is the worst lie of any that had been told. What happened about that is this: The Government took part of my land and built a fence. Never any agreement; never any authority. They had a woven-wire fence meshed pretty close.

Mr. LONGWORTH. That is the land you offered to give them?

Mr. CAMPBELL. Yes; for the period of the war. I went to Lieut. Roberg—this fence is an ideal place to run peas on—I went to Lieut. Roberg and asked him if he would permit me to plant some peas on my own land, not the Government's, and let them trail on this fence. He said he had no authority to grant me, but was certain nobody would object; and I therefore planted my peas on my own land. On the outside of the fence the peas grew up and, as I said in the record, undoubtedly some of those climbed inside of the fence, and when I came to pick them, I reached through the fence. This is the only thing that can justify this infamous statement. I never have had my foot on the land that the Government has taken from me. You can see how impossible it is for me to get through when you see it. And, then, it was said that because of these facts, and the fact that Mr. Campbell originally offered to donate this land to the Government for the period of the war, we are going to restore that land as nearly as we can and turn it back, and he may thereafter submit his claim for damages if he so elects, and it will receive due consideration. That is the kind of treatment we are getting from your War Department.

Col. BUSCHEE. I have no connection with them.

Mr. CAMPBELL. I don't know that you have anything to do with the things I have stated here.

I received a copy of the letter the Secretary of War wrote to Mr. W. A. Julian on July 9, 1919, in which he said that you had made serious efforts to agree with me on the claim for damages, and that I

had refused to discuss damages, and I wrote back that that was a lie, and I was perfectly certain that Col. Buschee had not said such a thing, and I didn't believe Col. Buschee ever said such a thing. Now, then, it seems to me, gentlemen, with all respect to Col. Valentine and to Col. Buschee, I have absolutely no quarrel or disagreement with these men about anything. The only hope for these people is in a conference. We can't get anywheres with this War Department.

The COMMITTEE. Mr. Campbell, in the lady's land that the option was given and accepted, do you know whether a deed was prepared?

Mr. CAMPBELL. Yes; I prepared a deed and sent it to Col. Buschee, who wrote back that it would be necessary for me to furnish an abstract of title; that the abstract of title which was furnished by the Title Guarantee & Trust Co. was not acceptable to the Department of Justice, and therefore I wrote to Col. Buschee that if we gave a policy of insurance, if that would be satisfactory, and he said it would. I prepared a deed and sent it to him, and he sent it back to me. When the time came for the carrying out of the thing, Col. Buschee wrote his department had been deprived of that authority.

The COMMITTEE. When was it that you had the deed and title ready for acceptance?

Mr. CAMPBELL. When was that?

The COMMITTEE. Yes.

Mr. CAMPBELL. I have forgotten. I could look that up in my file in my Sarah Brown file. It seems I went away on a vacation on July 1 and didn't get back until August 12, but my memory is that it was after that. At any rate, it was after the passage of the act of July 10 that he refers to.

Col. BUSCHEE. I might say that nearly all of the abstracts and deeds showed some defect. They were examined by the Judge Advocate General, and were sent back some time. Of course, at the time we were estopped from purchasing, everything stopped until such time as the thing could be reauthorized. The deeds, titles, etc., are at the present time being examined.

The COMMITTEE. It appears here that most of these options were accepted as early as September.

Col. BUSCHEE. Within the option time.

The COMMITTEE. September, 1918. I have been wondering why it was that the vendors would not immediately proceed with the preparation of the titles and the execution of the deeds.

Col. BUSCHEE. The Government was doing that themselves.

Judge JONES. Take the Edwards case that I represent. On October 29 we had been in communication with Mr. Groesbeck—he is in charge of these purchases—and immediately upon the acceptance of the option we saw Mr. Groesbeck—it was the acceptance of the option that was read into the record. We called Mr. Groesbeck's attention to the fact that in this locality it is the custom in purchasing real estate, that the purchaser prepares the abstract if he wants it; that the vendor in some localities does not. Mr. Groesbeck agreed that that was the custom here, and he so reported to his department, and thereupon told us that the Government had arranged to have its own abstracts prepared by the Title Guarantee Co., and they proceeded to prepare the abstracts, and in this particular case in October I prepared a form of deed and submitted it, at Mr. Groesbeck's

request, through the Guarantee Title Co. It was approved except that on account of the metes and bounds, the abstract company wanted it rewritten. It was redrawn, submitted, and approved by the abstract company, and it has been executed and will be delivered whenever the department is ready to buy.

I want to say as to the Edwards claim, that the purchase, as you have heard read, was for the entire tract, a lump sum, at so much per acre, and Col. Buschee came out in June to see if adjustment could be made. He made the suggestion that they only wanted to take a triangle which cuts the Edwards tract in two parts. We didn't want to do that unless we were paid a sufficient amount to make good the loss we had suffered. Thereupon, after considering and thinking it over for some time, he made a proposition that they would give us everything beyond the part that they wanted up the hill, and return to us the lower part of the farm, if that would be satisfactory. Without consulting with my clients, we had a telephone conversation in which I told him it was accepted. He said he would report it to the department and that it would be closed on that sort of a proposition.

Then came this act, and, of course, the rider. Not hearing from Col. Buschee, we got a letter from his chief, Mr. Wood, stating that their department's hands were tied by that act, and, of course, nothing has been done in the matter until this hearing. There is no question of having returned any part of this farm that they took from him. They took the farm in this way after the option had been signed and before the acceptance had been made. Col. Sawyer started upon the Messrs. Edwards's tract, two brothers, having adjoining farms, which are treated as one, and made their option as one parcel, and told them they must have possession at once. After some little conversation with them, he did grant them a period of 20 days, or something like that, to move, and they had a hurried sale—sold their farm stock—they had quite a large farm, and sold everything at auction at a sacrifice.

They moved away, and at that time, or very shortly after, their interest was enlisted in the Liberty bond drive, and they themselves were large subscribers of bonds—subscribed for on the basis of this sale, which are being carried by the bank, they paying 6 per cent interest on these bonds.

Mr. CAMPBELL. On the direct assurance by the Liberty bond committee that this money would be paid.

Judge JONES. Mr. Davis, in order that they might get subscriptions to the Liberty bonds, telegraphed Washington with reference to these claimants, and the answer came back that the money was to be paid in not less than six weeks—to be sure to be paid before the money necessary on the subscriptions was to be paid. Thereupon not only the Edwards but others were induced to subscribe—there were large subscriptions from all of these farmers who had sold land.

Mr. CAMPBELL. Some of them as large as \$10,000, and one as much as \$30,000.

Judge JONES. Dr. Jones took \$30,000.

Mr. CAMPBELL. And paying 6 per cent interest and getting 4½ per cent on them.

Judge JONES. The Turners very much the same. Since they moved out the Government took possession of the building. They

had a tenant. Those things were taken possession of. They took the large house in the farm for a club; changed it all around; used the stables for their teams. They have rented the farm, planting crops this year. Somebody in the interest of the Government didn't want the farm to lie idle. They have never received a cent of revenue from the Government. They are living in Milford now, in a house not suitable to them.

Mr. Turner is somewhat in the same position. He has some 14 acres within the blue line. This farm is 105 acres. I don't know whether it is necessary to read his option and acceptance in the record; it is the same as the others. His option reads for a lump sum. They come now and want to buy from him, at the average price per acre, 14 acres. It contains a house which is occupied now by tenants of the Government.

We have been asked if we would make deeds for the parts included in the blue line. We said we couldn't do that on the average price, unless we knew what the Government was going to do.

The COMMITTEE. If you do make deeds like that, would that be the end of your claim for consequential damages?

Judge JONES. Not at all.

The COMMITTEE. I do not think it will be. As a matter of fact, will the Government put you in position so that you will be held, in law, to waive any rights?

Judge JONES. They might. We do not want to put ourselves in that position.

The COMMITTEE. That is what I am inquiring about. This colonel says:

I am here to acquire title up to that line drawn by the railroad. I can buy that land, but I can't go outside of that line.

Col. BUSCHEE. That is correct.

The COMMITTEE. He says: "I want to buy that." Of course, if you make a final settlement—"take your money"—you are done.

Judge JONES. That is our position.

The COMMITTEE. What are you doing about that? Are you willing to make a final settlement?

Col. BUSCHEE. Not at all. My position is this: I think these people have just claims.

Judge JONES. I am not prepared to say how much.

Col. BUSCHEE. I have nothing to do with that. The Real Estate Service have no voice in the matter of what shall be taken or what shall not be taken. We simply act as agents. You say: "I want to buy so much property within those lines. Buy it."

The COMMITTEE. Suppose you owned the Aichholtz land and represented to the Government: "I want to buy half of that land; how much is it worth?" How could you estimate the value of that land if that was all there was to the property? How could you tell?

Col. BUSCHEE. Do it by appraisal—compare it with land values in the vicinity; find out from the local real estate people what the land valuations are.

The COMMITTEE. You would want to know how much of the rest of the land was going to be damaged.

Col. BUSCHEE. Surely.

The COMMITTEE. Wouldn't it be advisable if the Ordnance Department would reestablish its plan and send you down with full authority to acquire a title and settle damages?

Col. BUSCHEE. That decision is made by the Department of Justice. Up to October, in matters of this kind, the Real Estate Service had authority to make negotiations, which I did. I got the releases in payment of so much money—agreed to release the United States. It was then that thing was put up to the legal lights in Washington, they said: "You have absolutely no authority to make such an agreement." They had to be sent to the Court of Claims.

The COMMITTEE. Have you that section of the appropriation bill handy there?

Judge JONES. I have it here.

The COMMITTEE. When will you pay for it?

Col. BUSCHEE. We wouldn't make the purchase; we simply get the abstracts and deeds and they are sent to the Judge Advocate General and when he passes on them they are sent to the disbursing officer and approved.

The COMMITTEE. Suppose to-day you come to an agreement with somebody to take so much land; what would you do?

Col. BUSCHEE. I have nothing to do with the payment.

The COMMITTEE. You just recommend?

Col. BUSCHEE. That is all. The deed will come in if approved by the Judge Advocate General, sent to a disbursing officer, then probably to the local salvage board here. Now, barring any defects in the title, if the abstract is good and the deed is good, I should imagine it will take two or three weeks—the money is here in Cincinnati.

Mr. CLIPPINGER. I would like to call your attention to one of these farms which I represent, Mr. John Aichholtz. He had 144 acres. The Government purchased 76 acres and paid him at \$200 an acre, which comprises all his farm land of any value, \$15,000. The total tract of his land is \$28,800. You see, that in order to make him whole, he would have to have enough money in damages to make up the remainder. Capt. Mitchell informed me that under the rules of law the damage to the residue can not exceed the total value. The residue, we will all agree, at the highest figure is \$6,300. Now, that would only give him \$21,000, and he would be the loser of over \$7,000 on his farm, on which neither of these members can help me out. They can't get me any relief. These people can't give me any more than what is the value of the rest of the ground, and Col. Buschee can't pay more for the 76 acres, which would be \$15,000.

Mr. LONGWORTH. Even if he recommended it?

Col. BUSCHEE. In several cases in June, I recommended that the entire property be taken. If I tried to fix a price it wasn't very good with the other; it was worth \$200.

Mr. LONGWORTH. He turned that down.

The COMMITTEE. That was sent in to the Ordnance Department.

Mr. LONGWORTH. I have been trying for two years to find out the responsible party for these actions.

Mr. CLIPPINGER. These gentlemen have been more than fair to arrive at a fair solution of this matter, and Col. Valentine has tried to help us wherever he could.

Mr. LONGWORTH. At the very beginning Col. Joyce said everybody would be made whole. Now it turns out they can't be made whole under this present system.

Mr. CLIPPINGER. Mr. Aichholtz can't be made whole because his farm was the first that was taken. He was compelled to sell his stock for any price that he could get for it. He could not be made

whole. They destroyed things that could not possibly be put in as damages.

Mr. LONGWORTH. In this whole transaction nobody has been made whole but the contractors, and they have made a great deal of money, none of whom live in this city.

Mr. CLIPPINGER. Take the condition of these men who have farms lying outside of the blue line. I represented one of them. Suppose that his farm was to be taken. He disposes of all his stock and enters into another line of business, and he is no longer a farmer. He has made different plans for the rest of his life. Now, they tell us he must take this farm back, although he has a written acceptance—a fixed value on his farm—and yet the Government says: "We will not keep it; you have got to take it back, regardless of your present position." It seems to me the only fair way would be to go ahead and complete all of these purchases and let the Government sell this land. Crops have been destroyed, pipe lines and sewers constructed, all of which affect the value of the land. You can't get a man to buy that farm, and as citizens of this country, I say it isn't fair to the citizens in this community.

Col. VALENTINE. If they would put their value to it they wouldn't be made whole.

The COMMITTEE. How do you figure this committee can help any in clearing this situation?

Col. BUSCHEE. Well, I can recommend the rental in lieu of interest, up until the date the voucher for final payment in the Aichholz case. Where they put the man off and split the farm in two pieces, my opinion is, I will say parenthetically, there are two cases; I asked him to make a claim and to state a definite amount of damages and state the total damages. If I can go before my superiors with these letters and can show them in figures that it is cheaper to buy the tract than it is to buy a portion and pay the remainder—in these two particular cases they didn't want to do that; they were afraid they might jeopardize their right. One trouble has been that some people have signed papers without legal advice and have signed away their rights.

The COMMITTEE. Heretofore in settlement of some claims they signed waivers for damages.

Col. VALENTINE. Yes; I have one case in mind in which a man received \$220, and in receiving that money he signed a voucher in which he stated that \$220 was in full of all damage claim. That was not the exact words, but the exact meaning, on account of damage to land and crops. That money was received by him with the understanding both on his part and on the Government agent's that the land was to be bought—no question of trying to run down the man—it was an honest transaction on both sides—but the land was not bought, and as the matter stands to-day, it will not be bought, and I yesterday received testimony from him and his witnesses, showing the damages which he had suffered on account of physical injury, to which, I think, he is fairly entitled; also damages due to the Government occupying 8 acres of his land, as a result of which he was not able to put in a crop of wheat. I can recommend the payment for that damage up until the time he put in his spring crop.

Mr. KEARNS. In this case you have in mind, what damage do you find that he really sustained?

Col. VALENTINE. I don't know the figures. I think \$380—in that neighborhood.

(There is printed herewith as an exhibit a document, entitled "Original Q. M. cost—appraised value—salvage—appraisal—of U. S. Nitrate Plant No. 4, Ancor, Ohio":)

ORIGINAL QUARTERMASTER COST—APPRAISED VALUE—SALVAGE APPRAISAL OF UNITED STATES NITRATE PLANT NO. 4, ANCOR, OHIO.

INTRODUCTION.

The information noted on the following pages refers to the United States Nitrate Plant No. 4, Ancor, Ohio, and was compiled to show a comparison between the following figures:

I. Original quartermaster cost to construct plant amounting to \$5,484,656.32.

II. The appraised value of plant compiled to give credit to the Nitrate Division for turning same over to the Cincinnati District Salvage Board. Appraisal is based on reproducing all materials stored in warehouses, all buildings and utilities (exclusive of purchase price of land and buildings existing on property at time of purchase) as they existed June 1, 1919, using June 1, 1919, labor and material costs. This appraisal amounted to \$3,199,982.25.

III. The salvage appraisal of plant which is an estimate of the amount of money that would be realized in disposing of all material stored in warehouses, all buildings and utilities (exclusive of purchase price of land and buildings existing on property at time of purchase) as they existed June 1, 1919. The appraisal amounts to \$452,330 for materials stored in warehouse, and \$106,052.49 for buildings and utilities, making a total appraised salvage value of \$558,382.49.

As this plant is incomplete and about 13 miles from Cincinnati, Ohio, with the nearest traction line 5 miles distant, the best salvage was figured on wrecking 90 per cent of the temporary buildings to obtain the salvage value of materials in same, leaving the permanent buildings as they exist; due to the fact that the cost of wrecking exceeds the salvage value of materials. The finished buildings in the permanent group were figured to be best salvaged when sold as storehouses to local farmers.

It is figured no salvage could be obtained on bridges and trestles, streets, and highways and sewers.

J. R. O'DONNELL,
Appraisal Engineer in Charge, Assistant Member A. S. C. E.
C. R. WENZEL,
Assistant Engineer in Charge.

United States Nitrate Plant No. 4, Ancor, Ohio.

Item.	Quarter-master cost.	Nitrate turn-over appraisal.	Salvage appraisal.
Difference between quartermaster cost and turn-over cost (buildings and utilities).....	\$119,851.57		
Permanent buildings (labor and material).....	682,797.48	\$463,678.86	\$10,800.01
Temporary buildings (labor and material).....	962,592.99	777,466.73	31,328.42
Utilities.....	520,171.24	444,474.50	63,924.06
Rental, operation, and repairs.....	114,321.66	(1)	
Unloading and loading plant and materials.....	408,167.90	(2)	
Cleaning up after completion of work.....	74,151.67	(3)	
Teams (expense not distributed).....	8,521.85	(3)	
Administration, \$455,478.05.....			
Contractor's fees, \$101,123.05.....	556,601.10	\$479,278.40	
Incidental expenses too small for separate account.....	932.00		
Incidentals.....		64,945.45	
Guards, sanitation, etc.....	13,519.50	(1)	
Commissary operation loss.....	7,737.46	(2)	
Total.....	3,469,366.42	2,229,793.94	106,052.49
Equipment and tools purchased, \$385,600.19.....			
Construction material and commissary unused, \$1,637,780.02.....	2,023,380.21	970,188.31	452,330.00
Total.....	5,492,746.64	3,199,982.25	558,382.49
Unclaimed wages.....	8,090.32		
Total.....	5,484,656.32		

¹ Figured in overhead.

² Distributed over work.

³ Not figured.

⁴ Includes \$78,000 for transportation of organization to and from Cincinnati, also overhead, contractor's profit, drawings, engineering, insurance, etc.

⁵ Figured in break even.

United States nitrate plant No. 4, Ancor, Ohio—Appraisal—Recapitulation.

UTILITIES.

Name.	Sheet No.	Utility No.	1-A	1-B	2	3	4	5-A	5-B	5-C
Bridges and trestles.....	3	3					\$5,225.00			
Electrical, outside.....	9	9								
Heating plant (central).....	8	8			\$132,405.39					
Streets and highways.....	4	4				\$98,000.94				
Railways.....										
Real estate.....										
Clearing and grading.....			\$6,000.00							
Fencing.....	212			\$12,838.76						
Sewer.....								\$25,146.40	\$22,053.75	\$4,448.12
Sanitary.....	5	5								
Storm.....	5	5								
Process return.....	5	5								
Water supply.....										
Domestic.....	1	1								
Process.....	1	1								
Total.....			6,000.00	12,838.76	132,405.39	98,000.94	5,225.00	25,146.40	22,053.75	4,448.12
Drawings.....				150.00	2,648.10	1,490.50	78.37	754.39	661.61	133.44
Engineering.....			120.00	320.97	5,296.21	3,454.50	192.87	1,257.32	1,102.09	222.41
Total.....			6,120.00	13,309.73	140,349.70	103,934.94	5,496.24	27,188.11	23,818.05	4,803.97
Contractors' overhead.....			305.00	665.49	11,227.98	10,363.49	548.62	2,715.81	2,381.80	490.39
Total.....			6,425.00	13,975.22	151,577.68	113,998.43	6,034.86	29,873.92	26,199.85	5,294.36
Contractors' profit.....			642.60	1,397.52	15,157.76	11,399.64	603.46	3,286.13	2,881.98	581.28
Total.....			7,068.60	15,372.74	166,735.44	125,398.27	6,638.34	33,160.05	29,081.83	5,865.64
Loss depreciation.....				1,537.27	3,334.71	2,507.86	331.92	1,160.60	1,017.86	205.30
Total.....			7,068.60	13,835.47	163,400.73	122,890.31	6,306.42	31,999.45	28,063.97	5,660.34
State liability, insurance:										
50 per cent of \$6,120, at \$2.60 per \$100.....										
50 per cent of \$13,309.73, at \$0.95 per \$100.....										
50 per cent of \$140,349.70, at \$1.60 per \$100.....										
50 per cent of \$103,998.43, at \$3.75 per \$100.....										
50 per cent of \$5,496.24, at \$7.45 per \$100.....										
50 per cent of \$27,188.11, at \$3.45 per \$100.....										
50 per cent of \$22,053.75, at \$3.45 per \$100.....										
50 per cent of \$4,448.12, at \$3.45 per \$100.....										
Grand total.....			7,148.11	15,417.16	169,734.94	124,411.41	6,310.94	32,169.90	28,175.94	5,746.94

Name.	6-A	6-B	12-A	14-A	Total.	Total quarter-master cost.	In place.	Knocked down.	Cost to knock down.
Bridges and trestles.....					\$5,225.00				
Electrical, outside.....					19,094.45				\$41,947.09
Electric plant (central).....					19,094.45				19,094.45
Streets and highways.....			\$4,000.47		44,000.47				2,120.26
Railways.....					132,405.39				138,106.47
Real estate.....					98,669.94				134,618.04
Clearing and grading.....					6,000.00				0,555.85
Fencing.....					12,838.76				15,628.08
Sewer.....					25,146.40				2,012.64
Stairway.....					22,033.75				3,434.62
Storm.....					4,448.12				
Process, return.....					88,006.45				77,788.98
Water supply.....					28,649.77				
Domestic.....					88,006.45				19,113.70
Process.....					28,649.77				5,013.00
Total.....					88,006.45				
Drawings.....					2,640.19				
Engineering.....					4,400.32				
Total.....					95,046.96				
Contractors' overhead.....					9,504.69				
Total.....					104,551.65				
Contractors' profit.....					11,500.68				
Total.....					116,052.33				
Less depreciation.....					2,321.05				
Total.....					113,731.28				
State liability, insurance.....					1,260.37				
50 per cent of \$95,046.96, at \$2.65 \$100.....					367.05				
50 per cent of \$27,701.75, at \$2.65 per \$100.....					64.70				
50 per cent of \$5,176.32, at \$2.50 per \$100.....									
50 per cent of \$19,762.75, at \$2.75 per \$100.....									
Grand total.....					114,900.65				
					33,514.40				
					6,108.82				
					21,763.37				
					559,776.81				
					520,171.24				
					63,924.06				
					86,669.17				
					22,745.11				

United States nitrate plant No. 4, Ancon, Ohio—Appraisal—Recapitulation—Continued.

PERMANENT BUILDINGS.

Name.	Sheet No.	Building No.	Location.	Bare structure only 7-A.	Process work 7-B.	Total.	Appraised salvage value.				
							Total quarter-master cost.	In place.	Knocked down.		
Autoclave filter.....	P-17	G-1	Third Street between West and East Streets.....	\$54,564.83	\$2,657.29	\$57,222.12	\$92,888.26		\$4,650.00	\$11,000.00	
Ammonium nitrate settling tank.....	P-23	G-2									
Blacksmith shop.....	P-16	M-3		Near Fifth Street.....	2,214.40	2,214.40	2,214.40	2,735.52			1,846.40
Boiler house and stack.....	P-18	G-4		West Street between Second and Third Streets.....	9,532.50	9,532.50	9,532.50	13,147.02	\$1,600.00	628.00	1,400.00
Coke dryer building.....	P-2	R-2	Corner Third and East Streets.....	7,084.38	2,166.26	9,250.64	8,932.45			3,472.00	
Coal mill.....	P-3	R-3	Near extreme north end of permanent building site, First Street.....	2,352.40		2,352.40	2,153.27			888.00	
			do.....	1,394.03		1,394.03	1,054.42			904.00	
Carbide furnaces and electrode repairs.....	P-6	F-1	Extends from West and East Streets between First and Second Streets.....	5,885.84	6,585.39	22,471.23	33,617.94		200.00	6,500.00	
		F-3	Extends from West and East Streets, between First Street.....	5,198.48		5,198.48	6,372.57			2,152.00	
Carbide cooling shed.....	P-7										
Carbide mill.....	P-8	F-4	Second Street between East and West Streets.....	2,755.57		2,755.57	3,890.55			1,225.00	
		F-5									
Catalyzer.....	P-19	N-1	Between East and West Streets.....	9,041.36	14,595.02	23,636.38	49,201.70			2,841.00	
		N-2									
Cooler and absorption.....	P-20	N-3	do.....	64,990.60	7,604.00	146,330.01	241,267.22		9,767.00	43,300.00	
		N-4									
Electrical distribution building.....	P-26	N-5	East end of Second Street.....	4,591.80		4,591.80	3,347.26			2,066.00	
		F-1	Extends north end of permanent building site, First Street.....	5,770.22	14,511.02	20,281.24	19,545.03			1,632.00	
Raw material laboratory.....	P-4	R-4	Corner First and West Streets.....	4,083.10		4,083.10	8,875.01	1,400.00	180.00	1,400.00	
		F-6	Second Street near East Street.....	1,453.82		1,453.82	1,529.96	500.00	75.00	400.00	
Carbide laboratory.....	P-9	C-1	Second Street between West and East Streets.....	37,540.55		37,540.55	45,891.52			10,100.00	
		C-2									
L/N ovens.....	P-10	C-3	Third Street between West and East Streets.....	2,006.80		2,006.80	2,422.79			1,020.00	
		C-4									
L/N cooling shed.....	P-11	C-5	do.....	2,879.83		2,879.83	4,399.96			1,300.00	
		C-6									
L/N mill.....	P-12	C-7	do.....	11,755.98		11,755.98	17,170.47		180.00	6,920.00	
		L-1	East end of Second Street.....	2,804.10		2,804.10	13,100.06			3,100.00	
Machine shop.....	P-14	M-1	West Street between Second and Third Streets.....	39,190.41		39,190.41	43,004.41	A, 000.00	2,300.00	3,940.00	
		M-2									
Neutralizer building.....	P-21	N-6	Fifth Street, between West and East Streets.....	1,434.06		1,434.06	1,710.97				
		L-6	First Street, between West and East Streets.....								

Ammonium gas tank.....	P-22	N-11	South of Squamum Road, near East Street.....	2,383.83	10,788.76	14,877.73	1,700.00	690.00	8,000.00
Woodworking shop.....	P-24	W-20	Corner Grocery, Avenue and West Street.....	9,177.67	9,177.67	13,006.15	1,500.00	350.00	2,500.00
Permanent warehouse.....	P-25	W-22	On East and West Streets.....	7,405.81	7,405.81	13,006.13	1,500.00	400.00	8,000.00
Do.....	P-25	W-25	.....do.....	150.52	150.52	1,742.58	1,500.00	.....	50.00
Total cost of labor and material only.....				334,674.97	334,674.97	463,828.86	463,828.86	119,950.00	119,950.00
Drawings, at 1 per cent.....				3,346.74	3,346.74	4,638.27	4,638.27	.....	.....
Engineering, at 14 per cent.....				5,020.12	5,020.12	6,954.43	6,954.43	.....	.....
Total.....				343,041.83	343,041.83	475,219.56	475,219.56	.....	.....
Total.....				377,346.01	377,346.01	502,274.51	502,274.51	.....	.....
Total.....				415,080.61	415,080.61	535,015.66	535,015.66	.....	.....
Less depreciation, at 14 per cent.....				6,266.20	6,266.20	8,625.22	8,625.22	.....	.....
Insurance (liability):									
50 per cent of \$343,041.83, at 31 per cent.....				6,003.23	6,003.23	8,310.34	8,310.34	.....	.....
50 per cent of \$132,177.73, at 31 per cent.....								.....	.....
Grand total.....				414,857.04	414,857.04	544,708.78	544,708.78	119,950.00	119,950.00

TEMPORARY BUILDINGS.

Name.	Sheet No.	Building No.	Location.	Shell of building, ing. 8.	Partitions, 9-B.	Wooden fixtures, 10.	Plumb-ing, 11.	Heating inside, 12-B.	Electric inside, 14-B.	Total.	Total quarter-master cost.	In place.	Knocked down.	Cost to knock down.
Absorption tower inclosures (5).	188	.....	Over foundations of N-5.....	\$17,179.20	.....	.....	.....	.....	\$105.89	\$17,285.09	\$35,518.40	\$531.84	\$1,505.52	\$1,033.68
Boiler house 1.	17	.....	Across Round Bottom Road, from river pump station.	310.78	.....	.....	.....	.....	.....	310.78	769.82	.....	.....	.....
Barracks building (34).	18	B-26-T	Above center of plant.....	8,012.64	\$1,075.06	\$25.75	\$596.51	.....	103.89	9,723.85	10,121.38	293.00	894.00	596.00
Do.....	18	B-27-T	.....do.....	7,969.54	1,075.06	25.75	596.51	.....	103.89	9,690.75	10,121.38	298.00	883.00	592.00
Do.....	18	B-28-T	.....do.....	7,969.54	1,075.06	25.75	543.01	.....	103.89	9,717.25	10,121.38	298.00	893.00	592.00

1 This building was wrecked since June 1.

United States nitrate plant No. 4, Ancor, Ohio—Appraisal—Recapitulation—Continued.

TEMPORARY BUILDINGS—Continued.

Name.	Sheet No.	Building No.	Location.	Shell of building, 8.	Partitions, 9-B.	Wooden fixtures, 10.	Plumbing, 11.	Heating inside, 12-B.	Electric inside, 14-B.	Appraised salvage value.				
										Total.	Total quarter-master cost.	In place.	Knocked down.	
Barrack's building (34)	18	B-30-T	Above corner of plant	\$5,006.57	\$1,920.12	\$25.75	\$487.95		\$103.80	\$10,544.28	\$10,121.48	\$28.00	\$894.00	\$596.00
	18	B-31-T	do	7,937.47	1,075.06	25.75	500.85		103.80	9,603.02	10,121.38	244.00	732.00	488.00
	18	B-32-T	do	7,937.47	1,082.03	25.75	500.85		103.80	9,609.99	10,121.38	244.00	732.00	488.00
	18	B-33-T	do	7,937.47	1,075.06	25.75	500.85		103.80	9,603.02	10,121.38	244.00	732.00	488.00
	18	B-34-T	do	7,969.54	1,075.06	25.75	500.85		103.80	9,675.02	10,121.38	298.00	888.00	592.00
	18	B-35-T	do	8,000.54	1,055.58	17.00	286.83		103.80	8,563.84	10,121.38	218.00	774.00	556.00
	18	B-36-T	do	7,937.47	1,055.58	25.75	378.85		103.80	8,621.54	10,121.38	218.00	774.00	556.00
	18	B-37-T	do	7,937.47	1,055.58	25.75	316.47		103.80	8,562.40	10,121.38	244.00	732.00	488.00
	18	B-38-T	do	7,937.47	1,055.58	25.75	550.44		103.80	8,812.14	10,121.38	218.00	774.00	556.00
	18	B-39-T	do	8,000.54	1,209.66	25.75	128.05		103.80	8,580.14	10,121.38	244.00	732.00	488.00
	18	B-40-T	do	7,937.47	1,055.58	25.75	291.80		103.80	8,534.49	10,121.38	244.00	732.00	488.00
	18	B-41-T	do	7,937.47	1,055.58	25.75	435.58		103.80	8,674.99	10,121.38	244.00	732.00	488.00
	18	B-42-T	do	7,937.47	1,055.58	25.75	431.25		103.80	8,673.94	10,121.38	244.00	732.00	488.00
	18	B-43-T	do	7,937.47	1,055.58	25.75	409.73		103.80	8,652.42	10,121.38	226.00	678.00	452.00
	18	B-44-T	do	8,842.82	302.04	17.00	40.40		103.80	7,366.15	10,121.38	226.00	678.00	452.00
	18	B-45-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
	18	B-46-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
	18	B-47-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
	18	B-48-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
	Hospital barracks	18	B-49-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00
18		B-50-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-51-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-52-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-53-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-54-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-55-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-56-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-57-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
18		B-58-T	do	8,828.82	337.18	17.00	40.40		103.80	7,347.29	10,121.38	226.00	678.00	452.00
Barber shop	18	B-59-T	In center of white barracks group.	8,882.80	400.45	146.75	754.06		114.47	10,827.59	11,057.90	246.00	738.00	492.00
	18	B-60-T	On west side of Hospital Road. Located between buildings A and B.	1,259.30	60.85	106.00			55.67	1,014.79	1,739.43	45.00	147.00	10.00

WAR EXPENDITURES

Unpaid fines &c made good. No. 4, Answer. (This—Appraisal—Perpetuation—Continued.)

[illegible]

[illegible]

[illegible]

United States nitrate plant No. 4, Ancon, Ohio—Appraisal—Recapitulation—Continued.

TEMPORARY BUILDINGS—Continued.

Name.	Sheet No.	Building No.	Location.	Shell of building, 8.	Partitions, 9-B.	Wooden fixtures, 10.	Plumbing, 11.	Heating inside, 12-B.	Electric inside, 14-B.	Appraised salvage value.			
										Total quarter-master cost.	In place.	Knocked down.	Cost to knock down.
Chemical Construction Co. office.	145	M-21-T	Located south side of Squankum Road and East Street.	\$1,684.25	\$186.72	\$25.90	.....	.....	\$69.25	\$2,474.34	\$64.08	\$192.24	\$128.16
Superintendent's office zone No. 3.	148	M-22-T	Located corner of Squankum Road and West Street.	754.58	93.84	91.56	.....	.....	63.90	819.46	30.88	92.64	61.76
Checker's shanty.	149	.....	Located east of M-4.	22.57	.....	.....	.....	.....	.....	14.27	4.00	.....	2.50
Field time office.	152	.....	Located east of L-1.	159.52	.....	.....	.....	.....	.....	129.14	10.00	14.70	9.80
Steel superintendent's office.	157	L-20-T	Located extreme east end of plant on Squankum Road.	957.77	.....	40.69	.....	.....	49.35	819.47	32.24	96.72	64.48
Lumber yard office.	171	.....	Located west of 18-T.	337.22	.....	19.75	.....	.....	22.93	631.45	11.08	35.04	23.36
Sand drier and coal-yard office.	177	.....	Located 200 feet east of N-20-T, east end of lot, south of Squankum Road.	234.87	.....	.....	.....	.....	.....	355.02	7.22	21.66	14.44
Oil house.	178	.....	do.	167.51	.....	.....	.....	.....	.....	174.00	5.14	15.42	10.28
Time office.	179	.....	Located about 250 feet east of N-21-T.	84.90	.....	.....	.....	.....	.....	37.15	5.00	6.90	4.90
Portable office (2).	186	.....	Located east of N-20-T.	111.53	.....	.....	.....	.....	.....	153.20	10.00	10.26	6.84
Temporary office and tool house.	193	.....	Located west of N-3.	208.81	.....	.....	.....	.....	.....	173.00	15.00	19.36	12.92
Oil house.	194	.....	Located south side of Squankum Road, north of No. 1.	286.28	.....	.....	.....	.....	.....	212.00	15.00	.....	17.60
Steel rod office.	207	.....	Located adjacent to C-20-T, east end of plant between Second and Third Streets.	97.05	.....	.....	.....	.....	.....	92.40	8.00	8.94	4.00
River pumping station, temporary.	14	.....	Northwest end of plant on river bank.	541.40	.....	.....	.....	.....	.....	126.33	.....	.....	187.14
Pump house.	51	A-35-T	Located in front of administration building.	119.10	.....	.....	.....	.....	.....	108.88	5.98	16.98	11.00
Temporary pumping station.	100	.....	Located in abandoned gravel pit.	1,338.60	48.69	.....	.....	.....	69.00	1,748.19	44.80	134.40	80.60
Pump house 1.	201	.....	Located in gravel pit now in frame residence, original first-aid hospital.	115.00	.....	.....	.....	.....	.....	107.06	.....	.....	.....
Motor repair shop.	41	V-43-T	Located northwest corner of Squankum Road and main line N. & W. R. R.	3,424.12	268.06	438.50	.....	.....	74.16	4,096.40	3.38	10.14	6.76
Chaffin's' rest room.	53	.....	In garage group.	93.63	.....	.....	.....	.....	206.00	4,303.17	84.24	305.04	280.80
Harrison's repair shop.	73	.....	Located just east of V-1-T. Extreme southwest corner of plant, located west of V-21-T on Round Bottom Road.	406.90	.....	69.35	.....	.....	44.55	90.03	4.00	6.18	6.18
										406.50	35.60	50.64	50.18

	104	M-25-T	1,303.66	74.08	50.24	(⁴)	.....
Equipment repair shop.....		Located on West Street between Second and Third Streets.....					.....
Truckholder residence.....	21	Located near stone tipple.....	32.64			80.90	3.00
Checker's shanty.....	22	Located between B-36-T and B-37-T.....	52.15			32.64	3.75
Tool shanty.....						52.15	4.00
Receiving station.....	29	North side of Squankum Road near N. & W. R. R.	604.75		23.50	734.25	39.74
Paint shop.....	33	On Squankum Road north of Squankum Road.....	1,398.92	25.69		1,405.36	51.00
Railroad watchman's shanty.....	43	Located east of Hospital Road on Squankum Road.....	24.40			24.40	2.00
Sewer department shanty.....	40	Located south of Squankum Road east of main tracks.....	81.61			110.78	10.00
Hoisting engine shed.....	53	Located west of railroad near gravel pit No. 1.....	185.35			185.35	9.72
Auto oil storage.....	53	In garage group.....	324.12			381.14	23.44
Motor truck and winter stable group.....	60	Located in garage group.....	5,529.72			3,578.76	230.06
Schoolhouse or guard-house. ¹	70	Located on Squankum Road about halfway from Round Bottom Road and N. & W. R.	2,071.66	839.61	16.00	3,578.76	230.06
						5,086.73	366.44
						2,117.06	130.28
						43.82	72.19
	76	V-210-T	2,804.10	1,364.22		4,288.51	263.88
		Located on Round Bottom Road, extreme southwest corner of plant.....					
Do.....	76	V-211-T	2,804.19	1,364.22		4,283.08	263.88
Do.....	76	V-212-T	3,110.95	1,364.22		4,620.50	284.32
Do.....	76	V-213-T	2,804.19	2,149.74		5,074.12	312.24
Do.....	76	V-214-T	3,301.67	1,758.61		5,174.95	312.24
Do.....	76	V-215-T	3,040.42	1,469.61		4,655.36	284.32
Surveyor's shanty.....	77	Located northwest of cottage group.....	103.43			103.43	6.36
Saw shed No. 2.....	78	Located north of A-27-T.....	103.81			108.82	6.68
Saw shed No. 7.....	79	Do.....	100.31			100.31	6.16
Planting-mill shed.....	80	Do.....	423.16			423.16	26.04
Watchman's shanties (2).....	84	One located near gravel pit No. 1 and one located in gravel pit No. 1.....	93.74			93.74	3.00
Sash and door storage.....	82	Located south of A-27-T.....	356.78			356.78	21.92
Temporary paint shed.....	84	Located in rear of cottage No. 137.....	125.20			125.20	7.68
Checker's shanty.....	85	Located near cottage No. 89.....	40.42			40.42	3.50
Do.....	86	Located west of cottages.....	40.42			40.42	3.50
Horse shelter.....	87	Do.....	44.15			44.15	3.00
Checker's shanty.....	88	Located about 360 feet west of cottage No. 137.....	104.88			104.88	6.44

Existing farmhouse.

Addition to original gravel pit.

TEMPORARY BUILDINGS—Continued.

United States nitrate plant No. 4, Ancor, Ohio—Appraisal—Recapitulation—Continued

Name.	Sheet No.	Building No.	Location.	Shell of building, 8.	Partitions, 9-B.	Wooden fixtures, 10.	Plumbing, 11.	Heating inside, 12-B.	Electric inside, 14-B.	Total.	Appraised salvage value.				Cost to knock down.
											Total quarter-master cost.	In place.	Knocked down.		
Two liny sheds.....	80	V 2107	Located on Round Bottom Road, extreme southwest corner of plant.	\$1,617.24						81,617.24	\$3,140.39	\$25.00	\$75.00	\$50.00	\$50.00
Two store shanties.....	92	V 2177	Located in courts of soldiers' barracks.	76.74						76.74	47.20	3.00	3.00	3.00	3.00
Soldiers' barracks storehouse.	94		Located between V-20 T and V-20 T on South Road.	270.96		\$19.20				290.16	211.00	15.00	26.40	17.84	17.84
Shed for latrine line.	97		Located about 1,000 feet southwest of cottage group.	55.52						55.52	86.70	1.75	4.92	3.28	3.28
Chucker's shanty.....	99		Located between cottages and railroad.	66.35						66.35	52.40	6.00		4.08	4.08
Price shed	100		Located just north of M-20 T.	135.97	144.00					135.97	190.00	4.18	12.84	8.36	8.36
Blacksmith	100		Located north of machine shop M-20 T.		144.00					144.00	208.00			12.00	12.00
Coal shed	103		Located between M-1-2 and M-3.	45.34						45.34	126.12	9.38	14.63	5.28	5.28
Oil shed	104		Located just north of M-20 T.	17.34						17.34	36.00			4.00	4.00
Amshel storage.	107		Located on West Street between Second and Third Streets.	1,129.55					556.33	1,187.87	1,619.38	35.63	100.86	71.34	71.34
Material chucker's shanty	110		Located east of R-4.	29.79						29.79	31.96	5.00		4.00	4.00
Time keeper's shanty	109		Located west of R-1 (time kiln) on West Street.	70.98						70.98	49.20	6.00	7.00	4.00	4.00
Woodworking shop	111	A 27 T	Located in rear of ordnance administration building.	1,127.47		20.46			39.01	1,167.33	1,097.60	21.68	94.08	72.40	72.40
Amshel storage	112		Located south of A-27 T.	184.95						184.95	178.80	15.00	12.00	11.80	11.80
Chucker's shanty (3)	113		Located near A-27 T.	27.97						27.97	39.60	8.00	3.80	2.60	2.60
Time chucker's shanty	114		Located south of administration group, since moved.	31.02						31.02	34.67	6.00		3.00	3.00
Storage shed	117		Located south of A-1 T.	144.11						144.11	136.80	13.00	98.00	12.00	12.00
Chucker's shanty	119		Located west of A-6 and C-6.	136.50						137.44	109.40	10.00	13.06	8.44	8.44
Coal shed	120		Located inside of building (1) between C-4 and C-1.	148.97						148.97	116.20	12.30	10.00	10.00	10.00
Mixed each shanties.	120		Located between C-4 and C-1 east of East Street.	1,040.43					11.06	1,051.49	1,117.61	32.30	100.00	10.00	10.00

United States outside plant No. 4, Ancon, Ohio—Appraisal—Respectation—Continued.

TEMPORARY BUILDINGS—Continued.

Station	Blowing No.	Location	Shell of building, ing. 8.	Partitions, 9-B.	Wooden frames, ing. 10.	Heating inside, ing. 11.	Electric inside, 14-B.	Total.	Appraised salvage value.		
									Total quarter-master cost.	In place.	Knocked down.
Engine station	204	Located adjoining to C-20-T, east end of plant, between Second and Third Streets.	\$251.94					\$251.94	\$276.00	\$5.00	\$251.18
Steel track handling stands (4)	205	Located east end of lot, between Second and Third Streets.	{ 238.00 198.00 }	\$64.40	\$25.20		\$58.34	565.94	734.50	38.33	70.00
Motor stands (2)	206	Located adjacent to C-20-T, east end of plant, between Second and Third Streets.	139.25					189.25	185.00	5.82	17.40
Checker's stand	208	Located adjacent to C-20-T, east end of plant, between Second and Third Streets.	25.77					25.77	14.27	4.00	
Pump stand	210	Located adjacent to C-20-T, east end of plant, between Second and Third Streets.	66.77					66.77	41.00	10.00	6.18
Plant for well machinery	214	Located adjacent to C-20-T, east end of plant, between Second and Third Streets.	363.33					363.33	643.06	12.10	36.30
Water house for steel tank	216	Located adjacent to C-20-T, east end of plant, between Second and Third Streets.	1,104.53					1,104.53	1,228.53	33.98	101.94
Temporary building (1)	9	Located adjacent to C-20-T, east end of plant, between Second and Third Streets.	35.32					35.32	25.20	3.00	3.00
Temporary building (2)	9	Located north of V-40-T, east end of plant, between Second and Third Streets.	37.70					37.70	31.20	3.00	3.00
Temporary building (3)	9	Located west end of Aqueduct Road.	35.07					35.07	31.20	3.00	3.00
Temporary building (4)	9	Located 500 feet southwest of cottage group.	39.20					39.20	24.00	3.00	3.00
Temporary building (5)	10	Located about 300 feet southwest of N-X-6.	33.51					33.51	25.17	3.00	3.00
Temporary building (6)	44	Located east of N-21-T, east end of plant, between Second and Third Streets.	216.00					216.00	200.00	6.00	16.00
Temporary building (7)	47	Located south of Aqueduct Road, west on N. & W. R. R.	142.14					142.14	81.45	8.00	18.00
Temporary building (8)	50	Located south of Old Ancon Road.	164.00					164.00	141.00	13.00	13.00
Temporary building (9)	50	Located across tracks from new passenger station.	2,438.40	48.49	108.00			2,594.89	1,111.00	10.00	10.00
Water tank house	50	Located north of Aqueduct Road, opposite administration building.									

No.	Description	Location	Area (Acres)	Value (£)	Value (Rs.)	Value (P.)
101	Water tank for soldiers' barracks.	Located on elevation above soldiers' barracks to the southeast.	102.60	61.51	6.72	11.00
102	132-foot double horse trough.	Located north of M-22-T, running east and west.	69.53	69.53		
108	Tool house.	Located on West Street between Second and Third Streets.	831.27	34.88	28.04	84.12
119	Transformer house.	Located west of M-22-T.	145.87	187.48		
125	Tool house.	Located inside of building C-1.	157.74	157.74		
133	Do.	Located near extreme east end of plant near electric service station.	115.02	108.20		
142	Do.	Located across West Street from M-3.	642.54	34.53	20.82	62.46
156	Do.	Located southeast of I-1.	126.23	126.23	3.88	11.64
180	Coal tipple.	Located 175 feet east of N-20-T.	979.64	1,090.63	30.96	92.88
175	Chemical construction compressor and tool house.	Located between N-24-6 and N-5 near Fifth between E- and W Streets.	706.64	33.43	25.02	75.06
187	Tool house.	Located near Fifth, west of West Street.	1,833.03	36.41	34.86	151.14
198	Stone tipple.	Located north side Spunkum Road, opposite Administration group.	5,181.87	5,181.87	200.00	550.00
209	Water tank.	Located about 700 feet south of cottage group.	172.40	172.40	35.00	35.00
216	Do.	At reservoir site.	218.14	218.14	40.00	40.00
27	Sewer and water warehouse.	Corner of Spunkum Road and Norfolk & Western R. R.	321.65	336.08	10.34	31.02
72	Blacksmith and wagon repair shop.	Located on Round Bottom Road, extreme southwest door of plant.	2,286.42	56.53	3,088.31	71.00
83	Temporary sheet metal warehouse.	Located in front of cottage No. 68.	96.20	96.20	3.00	8.88
161	Storage warehouse.	Located on East and West Streets, Warehouse Road and Grocery Avenue.	4,261.24	134.39	6,003.91	423.00
161	Do.	do.	4,210.94	101.58	6,003.89	423.00
161	Do.	do.	4,558.28	65.20	6,003.89	444.06
161	Do.	do.	4,192.58	67.86	6,003.89	410.52
161	Do.	do.	4,186.58	71.82	6,003.89	410.52
162	M A in cement warehouse.	Located on East Warehouse Street.	4,010.27	62.99	6,056.86	375.86
163	N A in storage warehouse.	Located west of W-2-T and East Warehouse Street.	512.31	512.31	714.50	47.28
169	Dry Grocery warehouse.	Located on Grocery Avenue.	6,495.08	70.65	4,779.17	606.06
170	Cold storage warehouse.	do.	5,655.09	77.54	6,967.34	529.14

Partly burned.

This is knocked down.

United States nitrate plant No. 4, Ancor, Ohio—Appraisal—Recapitulation—Continued.

TEMPORARY BUILDINGS—Continued.

Name.	Sheet Building No.	Location.	Shell of building, ing. &	Partitions, 9-B.	Wooden fixtures, 10.	Plumbing, ing. 11.	Heating inside, 12-B.	Electric inside, 14-B.	Total.	Appraised salvage value.			
										Total quarter-master cost.	In place.	Knocked down.	(Net to knock down).
Chemical construction woodworking shop.	174	N-26-T	Located near Fifth Street between Eastland and West Streets.	\$2,235.36	\$17.79				\$2,353.50	\$3,718.32	\$71.80	\$215.40	\$113.60
Gravel pit well house.	200		Located at gravel pit pumping station.	536.37					540.06	567.46	24.86	414.86	30.00
Wheel barrow inclosure.	213		Located east of B-20-T and north of Squankum Road, opposite Administration building.	216.00					216.00	215.00	6.61	184.89	13.39
Railroad yard house.	159		Located near east end, south side of Squankum Road.	320.56	63.48				386.04	384.30	11.00	334.86	20.00
Total.				\$71,694.86	\$17,031.63	\$14,128.06	\$20,060.50	\$13,031.14	\$96,777.46	\$703,920.09	\$11,324.73	\$239,531.50	\$93.74
Drawings.				6,716.94	406.17	268.52	871.81	170.35	146.63	8,592.19			
Engineering.				10,076.41	607.76	144.26	871.81	204.41	374.09	12,977.44			
Total.				688,457.21	41,860.64	868.83	782.83	188.09	487.48	794,344.39			
Contractors overhead.				68,848.72	4,163.06	1,486.89	2,155.53	503.21	2,323.12	79,486.53			
Total.				757,305.93	46,023.70	16,344.71	22,940.07	691.90	510.60	873,831.82			
Contractors profit.				75,733.59	4,668.36	1,634.47	3,294.91	789.19	1,781.06	87,913.58			
Total.				833,039.52	50,692.06	17,979.18	26,234.98	1,481.09	1,591.66	961,745.40			
Less depreciation.				24,992.06	1,897.66	580.37	906.10	211.53	291.88	28,580.47			
Total.				808,047.46	48,794.41	17,398.81	25,328.88	1,269.56	1,300.88	933,164.93			
State liability, insurance:				8,000.00									
50 per cent of \$83,167.21 at \$2.50 per \$100.													
50 per cent of \$41,680.50 at \$1.20 per \$100.													
50 per cent of \$17,979.18 at \$1.20 per \$100.													

[illegible]

United States nitrate plant No. 4, Ancor, Ohio.
SALVAGE APPRAISAL—INVENTORY.

Storehouse.	Material.	Appraised salvage value.	Storehouse.	Material.	Appraised salvage value.
Structural steel.	Cilicell.	\$27,630	Sand and gravel.		\$500
Ordinance warehouse.	A la carte.	5,000	Miscellaneous.	Tools and equipment.	13,000
Restaurant.	Restaurant equipment.	1,550	Sheet metal warehouse.	Equipment and sheet metal.	8,000
Mess Hall No. 1.	do.	3,100	Tools for water works.		700
Mess Hall No. 3.	do.	4,800	Woodworking shop.	Machinery.	17,500
Commissary warehouse.	Beds, dishes, stoves, cash register.	14,000	Steel yard.	Material and machinery.	150,000
Stationary stock and office fixtures.	Plumbing and steam supplies.	11,600	Building C-207.	Miscellaneous tools and small equipment.	850
Plumber's warehouse.	Electrical supplies.	18,200		Tools.	500
Electrical warehouse.	Fire department equipment.	22,900	Blacksmith shop and stable.	Machinery.	5,000
Steel warehouse.	Blocks and tools.	4,000	Inventory machine shop.		5,300
Tile.		43,200	Main tool house.	Tools and hardware.	22,500
Brick.		34,000			
Cement and roofing paper warehouse.	Roofing paper and building paper.	27,000	Grand total.		452,330
Wagon, scrapers, etc.		6,000			

SUBCOMMITTEE No. 5 (ORDNANCE)
OF THE SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, December 9, 1919.

The committee met at 11 o'clock a. m., on call of the chairman, Hon. William J. Graham (chairman), presiding.
Also present: Hon. Finis J. Garrett.

FURTHER TESTIMONY OF COL. IRA L. REEVES—Recalled.

Mr. GRAHAM. Col. Reeves, it has come to the attention of the committee that some changes in regulations have been made relative to requiring an accountant's report to be attached to papers in the matter of claims as they come from the district board, and that those changes have been of somewhat recent promulgation. Have there been any changes of that kind made? If there have, explain the situation in your own words as to what has been done along that line, if anything.

Col. REEVES. The War Claims Board, I think along about the 7th of November—the date is not quite clear to me—passed a resolution asking the bureau boards to see that the district boards in forwarding claims forwarded a sufficient amount of data so that the claim would have with it all the documents necessary to form an intelligent conclusion as to its merits.

That matter, as I recall now, was discussed at considerable length at the time it was introduced as to the changes, what would be considered adequate data. Some of the larger claims, you know, you get even down to the time cards, and I suppose the amount of actual papers, if you had all of them, would run 600 or 700 or 1,000 pounds in the larger cases; so this was so worded as to leave that matter to the discretion of the bureau boards how much data they would require. Prior, however, to the passing of this resolution by the War Department Claims Board I had arranged, so far as the Ordnance Department Claims Board is concerned, that the executive officer of that board, and after having discussed the matter with Mr. Scott, the chairman of the technical advisory section, to have instructions sent to the district officers covering what we termed our 14 points; it happened to be 14 essential points we thought were required. One of those things was an auditor's report.

Mr. GRAHAM. About when did you send out those 14 suggestions, Colonel?

Col. REEVES. It was the early part of November, or the middle of November.

Mr. GRAHAM. Now, was that the time, Colonel, when you asked them to send in an accountant's report as a part of the files?

Col. REEVES. That was one of the 14 suggestions made.

Mr. GRAHAM. And up to that time had there been accountants' reports with the claims as they came to your office?

Col. REEVES. Sometimes, and sometimes not.

Mr. GRAHAM. But the orders then sent out were to the effect that from that time on there must be?

Col. REEVES. If an accountant's report had been prepared, yes, sir; and if it had not been purely a negotiated claim, and if there was an accountant's report, it should accompany it. It covered also a number of other documents, such as minutes of the board in discussing the claims. The total number was 14 separate documents that would constitute a complete claim.

Mr. GRAHAM. Is your assistant able to indicate to you the exact date when that order went out?

Col. REEVES. It was the early part of November.

Mr. GRAHAM. I think he says about the middle?

Col. REEVES. It may have been.

Mr. GRAHAM. Well, since that time have there been accountants' reports coming in with the claims to you?

Col. REEVES. I probably had better explain my relation; you see, the claims do not come to me, Mr. Graham.

Mr. GRAHAM. Well, they come through you ultimately?

Col. REEVES. They come to the Ordnance board. There is a requirement that all claims, before being passed on by the bureau board, are first submitted to the technical advisory section; that name has been changed to the technical claims board of the War Department.

Mr. GRAHAM. When did you set that up?

Col. REEVES. This section is the one that really first raised the question of having all these documents with the claims. I was talking with Mr. Scott, chairman of that section recently, and he told me that the claims contained a great deal more data than formerly they had contained.

Mr. GRAHAM. Which Scott is that?

Col. REEVES. Mr. C. Scott, chairman of the technical section.

Mr. GRAHAM. When was that technical section arranged for?

Col. REEVES. I think arrangements were made for that section in the early part of August.

Mr. GRAHAM. When did it begin to function?

Col. REEVES. Well, it began to function along about the middle of August; it took some time to get the men together; it has been rather a growth.

Mr. GRAHAM. Now, have these instructions that you sent out helped things, in your judgment?

Col. REEVES. I think they have, yes, sir; that is, they have helped in this way, that you have more papers in front of you when you review a claim.

Mr. GRAHAM. Have your duties on that board changed any; that is, have you revolutionized in any way your practice; that is, as I understand it, originally—and I think you testified to that before this committee—you treated your duties largely as a matter of review; that is, if a claim came in to you that seemed to be proper on its face

and to have followed the prescribed rules and practices that you would pass it. Now, has that practice changed any, so that you now investigate the merits of the claims?

Col. REEVES. It has only changed in the increase of our facilities for checking up the claims when they come in by using the technical advisory section and working with the examiners, and the examiners are, I believe, as a general thing, going into the claims quite closely. The machinery is so large, sir, that there is no one single person, if he is charged with the signing of these claims, could make a close investigation.

Mr. GRAHAM. I understand that; you could not pass 5,000 claims in three months and give full consideration to them.

Col. REEVES. But we have surrounded ourselves with what we consider every reasonable precaution.

Mr. GRAHAM. Now, Colonel, are you going over these claims again, in that department of yours?

Col. REEVES. What claims, sir?

Mr. GRAHAM. Any of them, or all of them?

Col. REEVES. We are going over quite a few claims that had previously been passed, and are going over all claims, of course, which came in that had not yet been passed.

Mr. GRAHAM. Well, is it the purpose of your organization there to review these claims and wherever you think a claim was too large or improperly allowed to go into it again?

Col. REEVES. Yes, sir; it is the policy to reopen it.

Mr. GRAHAM. I wish you would tell the committee—you and I have privately discussed that matter, but for the benefit of Mr. Garrett, who was not here at the time—I wish you would tell us upon what theory you propose to operate, in view of the language of the Dent Act, which speaks of fraud. Is it the contention of your board, or the War Department, that a settlement which is not right is fraudulent per se?

Col. REEVES. Not necessarily, no. Understand that I am not a lawyer, and I might not possibly use the terms in the same sense that a lawyer would use them. In my own mind I have the idea that it is probably constructive fraud, if that is the word. I think probably that would be the only basis of recovery, unless they would voluntarily pay the Government in the event we found anything wrong. I may be wrong in that. That is what has passed in my own mind. We have not come to the point yet where it is necessary to reopen a case in that way. I have plenty of legal advice.

Mr. GRAHAM. And have you, since this came up, had occasion to go over these claims and ask the contractors to reimburse the Government for claims you thought were improperly allowed?

Col. REEVES. We have had occasion to reopen the claims, but we have not yet uncovered enough evidence of overpayment of claims, if any. I think it has come to my attention in some board—I am quite sure not in Ordnance—there have been some evidences that there has been overpayment, and there has been a repayment. I get that as a rumor.

Mr. GRAHAM. You have understood that?

Col. REEVES. Yes, sir.

Mr. GRAHAM. Did you ever reopen any claims yourself?

Col. REEVES. Yes, sir; I probably had better not say just the number, but at least five claims that I know of.

Mr. GRAHAM. Did you cause the contractor to reimburse the Government?

Col. REEVES. We have not got to that point yet that we know whether he has been overpaid or not.

Mr. GRAHAM. You suspect such things, don't you?

Col. REEVES. In this way: We hear all sorts of rumors and the military intelligence gets all sorts of reports, and the moment we get any report that leads us to think there has been an erroneous settlement, we have the machinery to go after that at once. I have in my own office—although only advisory in the matters of accountancy—a gentleman of wide experience, and I consult him immediately if there is a claim there has been an error made, and then we have an auditor in the war claims board, and we refer to this committee all matters that it seems should be reopened.

Mr. GRAHAM. Well, how are these matters brought to your attention, Colonel?

These claims are all allowed to the contractors, and the contractors paid. Now, then, how do you get the intimation that there is anything wrong with them; how does that machinery work?

Col. REEVES. Well, it may come from one of many sources. I can probably illustrate by naming one particular case; it would probably not be fair to put the name of the company in evidence, but they are quite a large concern; a manufacturer of chemicals. I personally signed that claim, I think, shortly after I came on this board. I had a little bit of grounds for fear at the time that it might be wrong. Nothing to substantiate it appeared, however, and I held it up three or four days, and finally signed it. Since that time it had come to my attention several times that there were items in it that should have been charged to the French contract, so I asked permission of the war claims board to reopen that entire case, and it is now being investigated; they have been doing that for six weeks or two months; working on it.

Mr. GRAHAM. How much do you think is involved?

Col. REEVES. Well, in fact, it looked to me like there might be \$300,000 involved, but the gentleman who has this matter in charge told me the other day that so far they have not been able to fix anything wrong.

Mr. GRAHAM. What is the reason they can not do that, Colonel: is it on account of the scattered nature of the testimony or the difficulty of the negotiations? What difficulties do you find now? When you reopen a claim in your board, what are the difficulties that you encounter in tracing that?

Col. REEVES. One of the greatest difficulties we have is the rapidly scattering personnel. Understand, this evidence is practically all in the districts; we do not have it in Washington and can not get it.

Mr. GRAHAM. That is, the field work?

Col. REEVES. Yes; and a large part of these men want to get out of the service. I am speaking for Ordnance; they want to get into civil life. We have a constant demand for the acceptance of resignations, and these are the only people who have knowledge of the facts. My experience is, after they get into civil life they do not pay any attention to it in this sense; they are in business and do not

want to get involved in investigations taking time and that sort of thing. That is one difficulty. And another difficulty is this, and the claims board has that in front of us all the time: The war is over now and we are looking at this thing from the back side. During the war everybody was spending money like a drunken sailor; the idea was to get the stuff out and get it to the troops. The books were improperly kept; many of their good bookkeepers had gone to war and they had to rely on girls, and the data is not there. One particular concern, a Canadian concern, had quite a large claim, and we found that they were simply producing shells; they were not concerned about what the books showed.

Mr. GRAHAM. Now, Colonel, there was no place where this stuff was collected where your board can get its hands on it now and get the facts relative to that particular claim?

Col. REEVES. The one I am speaking of?

Mr. GRAHAM. Any claim; you have to go here and there?

Col. REEVES. You have got to go here and there and spot it out; put a man on the job and have him stay on the job, and that is a difficult thing to do.

Mr. GRAHAM. Tell me another thing. Do you know what the attitude of the contractor is where these claims are reopened or about to be reopened, what the attitude of the contractor is to the Government?

Col. REEVES. I have not had any particular difficulty with that particular field, but I think, in general, the contractors think we are very hard on them; that is, generally; that we are not as lenient as the Dent Act expected us to be. I might add at this time that I have been very much impressed with the apparent desire of contractors to do the fair thing.

Mr. GRAHAM. Probably half of them did not file any claims at all?

Col. REEVES. A great many of them did not file any claims at all, and a great many show a desire to be fair, but a great number you have to watch like a hawk; they will skin you if they can; that is, of course, a limited number.

Mr. GRAHAM. Now, I want to ask you, Colonel, some one called my attention to the claim of the Semet Solvay Co., of Rochester, N. Y.; I do not know whether the company is at Rochester, but they have the claim. Was that claim allowed, and did it come from the district claims board at Rochester to your board as allowed?

Col. REEVES. That is quite a long story, sir. There were four claims involved; that is, a group of four claims, considered as one claim, and one allowed by the Rochester district board. If you care to have me, I have a history of the entire Semet Solvay Co. matter here; if you care to have it, I could read it into the record.

Mr. GRAHAM. The thing I am wanting to get at most is—to be entirely frank with you—whether the claim came through in the regular course of business and whether you sent it back for revision and a correction and refused to approve it?

Col. REEVES. It did come through in the regular course of business; it was never approved by the Ordnance Bureau Board.

Mr. GRAHAM. That is the board below you?

Col. REEVES. That is the board below me; never approved it. I sat with the board, I think, when the claim came in.

Mr. GRAHAM. I am informed, Colonel, that you refused to accept this claim when you looked into it because it was not audited.

Col. REEVES. I think that information is somewhat in error, because it would not have got up to me for approval unless the Ordnance Bureau Board had passed it, and the record shows they did not pass it. At the time this claim was up the minutes contained merely extracts and not a verbatim report, so I have not been able to get from the minutes who raised the question.

Mr. GRAHAM. Had the claim been audited when it came to the Ordnance district board?

Col. REEVES. I should say not.

Mr. GRAHAM. What was done with it?

Col. REEVES. It was returned to the district with instructions to the Ordnance Bureau board to go into the matter further, and certain features were set out. One of the features of the claim was that they were using more materials than would have been necessary had the contract gone to completion.

Mr. GRAHAM. What was the contract for?

Col. REEVES. There were several contracts.

Mr. GRAHAM. I suggest that you put that into your testimony here, this statement of the case.

Col. REEVES. Yes; it will be a history of the entire claim, and it is so shaped up here that I could read it in.

Mr. GRAHAM. All right, read it in.

Col. REEVES. The files of the Ordnance claims board show the following claims of the above-named contractor with history as indicated in each case. The claims refer to the claims of the Semet Solvay Co., with a brief history, as I will give later.

Claim 2479, filed August 12, 1919, based on compulsory order 360. for toluol. Award of \$62,242.98 recommended by the district. This claim is in the hands of Mr. Knowlton, who is an examiner for the Ordnance claims board.

X-OBC 2312, filed August 11, 1919, contract G 909-355 E, for ammonium picrate. Award of \$1 approved August 26. This was a completed contract.

Claim 2446, filed August 8, 1919, contract P 7624-879E, for construction of picric acid plant, at Grand Rapids, Mich. Award of \$340,107.97, approved August 20, 1919. This claim was passed by the Ordnance board as well as the district board. Advance payment and interest, \$469,375. Balance due the United States. \$129,267.03. That was simply the amount allowed of this claim and this was deducted from what the Government should have, not being for full recoupment.

The four following claims really comprise a single group, and involve the same questions. They are all at present in the hands of the Rochester district claims board for revision, in accordance with instructions received from time to time from the Ordnance claims board.

Claim 1029, filed April 30, 1919, contract P 6848-829E, for ammonium picrate.

Claim 1030, filed April 30, 1919, contract P 5207-736E, for picric acid.

X-OBC 184, filed July 9, 1919, contract P 17394-1594E, for ammonium picrate.

X-OBC 172, filed August 11, 1919, informal claim, no contract number, now before the board of contract adjustment. Contract for picric acid.

Claims 1029 and 1030 were submitted by the Rochester district claims board, and disapproved by the Ordnance claims board under date of May 13, 1919. They were again submitted with slight changes by the district claims board, and disapproved by the Ordnance claims board on July 21, 1919, being returned to the district.

In the latter part of August these claims were again returned from the district without changes. X-OBC 172 and 184 were also submitted at this time. On September 9 the Ordnance claims board disapproved the four claims and they were returned to the district by Mr. Knowlton in person, about November 8, for further investigation and revision. The claims are now in the Rochester district board. It is understood that the district claims board has passed the revised claims with a reduction of \$381,059.09 from the original set-up.

I have considerably more data, but that is probably all you care to have.

Mr. GRAHAM. Well, the district board sending this matter back the last time was when?

Col. REEVES. In September, I think, September 9, the last time it came back.

Mr. GRAHAM. It came back September 9; when did you return it to them?

Col. REEVES. They were the last time in the latter part of August, and on September 9 the Ordnance claims board approved the four claims and they were returned to the district.

Mr. GRAHAM. Now, in your memorandum sending these back, was it based in any part on the failure of the district board to have the accounts audited?

Col. REEVES. I would much prefer if you would introduce Mr. Knowlton at this time.

Mr. GRAHAM. All right, sir.

Col. REEVES. I might explain that Mr. Knowlton is an examiner of claims for the Ordnance Department. While he is quite young in years he has had my fullest confidence, and if there is any credit due to anybody, if there finally is a saving to the Government, I think it is due to Mr. Knowlton.

Mr. GRAHAM. Let me ask you one more question. You know Col. Hughes, who was with the Chicago district claims board?

Col. REEVES. Yes, sir.

Mr. GRAHAM. Is he still with that board?

Col. REEVES. Yes, sir.

Mr. GRAHAM. And is he still chief of the board?

Col. REEVES. I understand that he is; yes, sir; that is, of the Chicago district board.

Mr. GRAHAM. Do you want to ask him anything, Mr. Garrett?

Mr. GARRETT. I notice in your reading the memorandum there, Colonel, you mentioned some of those claims as being filed in July 1919; did you mean that was the first filing of them?

Col. REEVES. Well, that would be considered only as amend some of the claims filed within the prescribed period.

Mr. GARRETT. Under the Dent Act it required they should be filed by June 30.

Col. REEVES. I think that is being interpreted that the contractor filed a claim prior to that time and he could amend it afterwards, the facts may occur.

Mr. KNOWLTON. I think I can clear that up for you. The claims were really made out as the other claims, but the OBC validations under the Dent Act were not submitted formally, but we went after them, and they were not submitted, but they came down after the contract had been approved according to the Dent Act.

Mr. GARRETT. Colonel, is there any objection to mentioning the claims that have been opened for review by name?

Col. REEVES. Why, I would have no personal objection. It is largely up to you gentlemen, and the only thing is that these contractors, if they have set up a fair claim, and it should be developed that there was nothing wrong, that that might be a reflection on them; I don't know that that would be the interpretation.

Mr. GARRETT. These cases that have been mentioned in the report on House resolution 381, have you seen those claims?

Col. REEVES. Yes, sir; two of those are ordnance claims. I have not seen the others. One is the Standard Steel Car Co. claim that is being investigated; the other I do not recall, it is toluol.

Mr. GRAHAM. Is it Jones & Laughlin?

Mr. GARRETT. The Jones & Laughlin Co., is that being reviewed?

Col. REEVES. I don't think specifically, except that machinery is being prepared to review all these claims. If it is not reviewed, I think it will be directly.

Mr. GARRETT. Well, the Standard Steel Car Co. claim, do you know whether or not that award has ever been paid in full or not?

Col. REEVES. That \$1,300,000 was paid; yes, sir.

Mr. GARRETT. There was \$3,000,000 in all in that award?

Col. REEVES. Yes, sir.

Mr. GARRETT. Do you know whether that has all been paid?

Col. REEVES. Of the \$3,000,000, \$900,000 was what the Standard Steel Car Co. paid for machinery and salvage, and there is \$800,000 profit on the 200 carriages which was vouchered which was not paid. I think altogether that figures out \$1,300,000 which was paid.

Mr. GARRETT. \$800,000 profit on carriages has not yet been paid?

Col. REEVES. I think not; I asked at the time to have it withheld.

Mr. BLAKEY. I made up the voucher myself for \$800,000 and have later investigated it and find that it has been paid, less 10 per cent liquidated damages.

Mr. GRAHAM. That is \$80,000?

Mr. BLAKEY. Yes, sir; I think it was paid about the same time the award was paid, before all this notoriety got started.

Mr. GARRETT. What is that \$80,000 liquidated damages?

Mr. BLAKEY. The contract provides for a delay in the delivery, and they should be penalized for delay and call it liquidated damages, and that is the reason for a deduction of 10 per cent of liquidated damages.

Mr. GARRETT. Now, you say, Colonel, that those are the only two that were mentioned in the report that you know anything about?

Col. REEVES. Yes, sir.

Mr. GARRETT. You know nothing about the American Can Co. case?

Col. REEVES. Those, I guess, were under another bureau. I handled only ordnance claims. I will state, however, that the War Claims Board, regardless of what bureau the claims are in, are making arrangements to review every case in which there is any question at all.

Mr. GARRETT. Do you know how long that Standard Steel Car Co. claim has been under review?

Col. REEVES. This second time, you mean, sir?

Mr. GARRETT. Yes, sir.

Col. REEVES. I can only give you an approximate time; I should say at least 30 days.

Mr. GARRETT. I believe that is all.

Col. REEVES. Mr. Chairman, may I call attention to an error in the prints of my testimony as given heretofore, where I was probably misunderstood by the reporter, where in the printed record it states that I said there were 70,000 people connected with the settlement of ordnance claims? That is an error, and it should appear as 7,000 people.

Mr. GRAHAM. Very well, let that correction be made.

TESTIMONY OF ALFRED S. KNOWLTON, EXAMINER OF CLAIMS FOR THE ORDNANCE DEPARTMENT.

(The witness was duly sworn by Mr. Graham.)

Mr. GRAHAM. Mr. Knowlton, what is your age, please?

Mr. KNOWLTON. Twenty-four.

Mr. GRAHAM. What is your business; what was your business before you went into the War Department?

Mr. KNOWLTON. I was making explosives.

Mr. GRAHAM. Making explosives?

Mr. KNOWLTON. Yes, sir.

Mr. GRAHAM. Where were you employed?

Mr. KNOWLTON. With the Du Pont Co. at Barksdale, Wis.

Mr. GRAHAM. Were you in the mechanical department?

Mr. KNOWLTON. I was foreman of the T. N. T. plant; I was right out in the plant.

Mr. GRAHAM. How long had you been in that position?

Mr. KNOWLTON. About a year.

Mr. GRAHAM. Did you live in that locality somewhere; where is your home?

Mr. KNOWLTON. My home is Minnesota; prior to that time I had been going to the University of Minnesota.

Mr. GRAHAM. Taking what sort of course?

Mr. KNOWLTON. A chemistry course.

Mr. GRAHAM. And from there you went and took charge of this T. N. T. plant?

Mr. KNOWLTON. I didn't take charge; I gradually worked up.

Mr. GRAHAM. And when did you come to the Ordnance Claims Board?

Mr. KNOWLTON. I came to the Ordnance Claims Board the last of January, 1919.

Mr. GRAHAM. And in what capacity did you work there?

Mr. KNOWLTON. I was assistant to Maj. Frankfort.

Mr. GRAHAM. In the chemical department?

Mr. KNOWLTON. Yes, sir; powder, explosives, and chemical claims.

Mr. GRAHAM. When did you go into this claims board?

Mr. KNOWLTON. That was the Ordnance Claims Board at the time.

Mr. GRAHAM. What is your function now?

Mr. KNOWLTON. Examiner of powder, explosives, and chemical claims.

Mr. GRAHAM. In doing so, do you go out and examine, or do you work in the office?

Mr. KNOWLTON. No; I have gone out to make investigations, but not to visit any plants.

Mr. GRAHAM. Prior to the time that you went into the Du Pont powder plant, did you ever have any experience along that line?

Mr. KNOWLTON. Just the school.

Mr. GRAHAM. Just pure book knowledge?

Mr. KNOWLTON. I might state that I had considerable knowledge with the Ordnance Department prior to going into the Ordnance Claims Board; I went through an ordnance training school.

Mr. GRAHAM. Have you ever been engaged in any other business?

Mr. KNOWLTON. No, sir.

Mr. GRAHAM. Your knowledge, then, is entirely technical and scientific; not along business lines?

Mr. KNOWLTON. Not along business lines.

Mr. GRAHAM. Now, tell us about this Semet Solvay claim. I assume from what Col. Reeves said you had something to do with it. What was the reason that that claim was sent back to the district board?

Mr. KNOWLTON. The first time it was submitted we went over the claims very carefully and they were set up and verified, or sworn to by certified public accountants.

Mr. GRAHAM. How large were the claims in the first place; what did they aggregate?

Mr. KNOWLTON. As I remember it, just about—

Mr. GRAHAM. Approximately will be sufficient.

Mr. KNOWLTON. Something over \$1,000,000.

Mr. GRAHAM. That will be near enough; it is immaterial, the exact figures. All right; they had been sworn to by public accountants. Was there anything else the matter with them?

Mr. KNOWLTON. They were set up in that way, and the claims were set up so that under certain contracts they were receiving more than they would have received had they completed the contracts; that is the exception we took to them. At that time we called the members of the Semet Solvay Co. down and questioned them.

Mr. GRAHAM. You know what the Falk chart is, don't you?

Mr. KNOWLTON. Yes, sir.

Mr. GRAHAM. Did they settle on the Falk chart?

Mr. KNOWLTON. The Falk chart is for toluol claims; these were not toluol claims; these were for picric acid and ammonium picrate.

Mr. GRAHAM. This was not a by-product coke oven job?

Mr. KNOWLTON. No, sir.

Mr. GRAHAM. All right, proceed. Had the claims been audited when they came to you?

Mr. KNOWLTON. By the certified public accountants.

Mr. GRAHAM. Who had been employed by the company?

Mr. KNOWLTON. Who had been employed by the company. We questioned the members of the firm, and the inspector of ordnance at the plant at that time who had also signed certain statements, and we could find nothing of material value, a very large amount of money in any way that was out of the way in the claims; they may have found a mistake of a thousand dollars; it was a million-dollar claim. We returned the claim and at that time investigated ourselves.

Mr. GRAHAM. You mean by that you made an audit yourselves?

Mr. KNOWLTON. No; we looked into the records that we could find and investigated while these claims were being reworked in the district.

Mr. GRAHAM. Were they negotiated settlements; what is called negotiated settlements?

Mr. KNOWLTON. No; I do not believe you could call them negotiated settlements.

Mr. GRAHAM. Were they settled by the rules?

Mr. KNOWLTON. Yes; but you must remember that these were some of the first claims that came in, and the rules were not very well formed.

Mr. GRAHAM. When they came back the next time what was the shape of the claim?

Mr. KNOWLTON. The state of the claims was that they had rearranged them so that the entire amount was within the limits of the contract; there was no material change.

Mr. GRAHAM. And did you send it back?

Mr. KNOWLTON. Yes, sir.

Mr. GRAHAM. Was there an audit?

Mr. KNOWLTON. There has been at this time.

Mr. GRAHAM. Did you send them back for an audit?

Mr. KNOWLTON. The third time we sent them back for an audit and the claims have not come back to Washington.

Mr. GRAHAM. What happened to them on the audit?

Mr. KNOWLTON. We cut them down approximately \$380,000.

Mr. GRAHAM. On a \$1,000,000 claim?

Mr. KNOWLTON. Yes, sir.

Col. REEVES. The amount of that claim is \$1,152,000.

Mr. GRAHAM. Has the district board at Washington approved them yet, Mr. Knowlton?

Mr. KNOWLTON. As I understand, they have; but I have no definite information. My round-about information is that they have approved them on the suggestion of myself and Col. Eames and those connected with it out there.

Mr. GRAHAM. Did you go up there?

Mr. KNOWLTON. Yes, sir; on November 8.

Mr. GRAHAM. Did you demand an audit at that time?

Mr. KNOWLTON. I demanded an audit in September.

Mr. GRAHAM. What time in September, about?

Mr. KNOWLTON. September 9 or 10, I believe it was.

Mr. GRAHAM. Who was the audit made by?

Mr. KNOWLTON. The Government accountants, under Mr. Hayes.

Mr. GRAHAM. Do you know whether the contractor is satisfied with the present allowance?

Mr. KNOWLTON. I do not; the last information I had the claims had been passed by the district board and submitted to the contractor for his acceptance.

Mr. GRAHAM. And you do not know whether he has accepted?

Mr. KNOWLTON. I do not know whether he has accepted.

Mr. GRAHAM. Do you want to ask anything, Mr. Garrett?

Mr. GARRETT. No, sir.

Mr. GRAHAM. I think that is all.

FURTHER TESTIMONY OF L. J. BLAKEY—Recalled.

Mr. GRAHAM. Mr. Blakey, you are the same Blakey who testified before in the matter of the Standard Steel Car Co. claims?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. At the time you were here before us before, I think you were off on a vacation, or something of the kind, on leave?

Mr. BLAKEY. Yes, sir; I had 30 days leave of absence.

Mr. GRAHAM. After your leave expired did you return to your work in the War Department?

Mr. BLAKEY. Well, just before my leave expired I was at Monroe, La., visiting my brother-in-law, and received a telegram—in fact, a telegram was waiting for me there—for me to report to Washington at once and report to Col. Gibson, and I reported back about the time my leave would have expired.

Mr. GRAHAM. When you returned were you assigned to duty?

Mr. BLAKEY. Yes, sir; after staying here for several days I was sent back to Chicago.

Mr. GRAHAM. To work in connection with the District Claims Board?

Mr. BLAKEY. I was to be assigned in the office to other claims.

Mr. GRAHAM. Did you report there?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Were you assigned to other claims?

Mr. BLAKEY. Well, before I was assigned I was called back to Washington on the Standard Steel Car Co. investigation.

Mr. GRAHAM. By whom were you called back?

Mr. BLAKEY. Mr. Dorr's office.

Mr. GRAHAM. Mr. Dorr of the War Department Claims Board?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did you appear before that board and testify?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. On how many occasions?

Mr. BLAKEY. Once, I suppose, but it made two days, but I remained here in Washington approximately 10 days.

Mr. GRAHAM. And how many times did you testify as to the facts in your knowledge about that claim?

Mr. BLAKEY. Well, I have appeared before that committee twice, and then I went back to Chicago and remained there several days and then was called back and appeared before another committee in Mr. Dorr's office.

Mr. GRAHAM. Who was the first committee?

Mr. BLAKEY. Well, Mr. Fairbanks and Mr. Steever was supposed to be the committee under Mr. Door. That was the first time; and the next time I came back I observed before Mr. Scott and Col. Warren.

Mr. GRAHAM. Well, on those occasions what were you asked about; what you knew about the thing?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. What you knew about it?

Mr. BLAKEY. I was practically called upon to repeat the testimony that I had given before the congressional committee, with all kinds of questions from the beginning of the contract to the time I left there.

Mr. GRAHAM. Now, you told both the boards what you knew about it, did you?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Then where did you go?

Mr. BLAKEY. Well, while I was here the second time I received orders that I was to be assigned to the Aircraft Division, but I had to go back to Chicago. I could not report right away. I had to go back to Chicago to get my personal affairs straightened up there before I could go away and come here.

Mr. GRAHAM. Who gave you orders to go to the Aircraft Division?

Mr. BLAKEY. It came from the Ordnance Department Claims Board.

Mr. GRAHAM. Did you get a written order?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Have you got it with you?

Mr. BLAKEY. Yes, sir; I have a copy of it.

Mr. GRAHAM. Will you let me see it?

Mr. BLAKEY. Yes, sir [handing a paper to Mr. Graham]. This is a copy of the first order.

Mr. GRAHAM. This may go into the record here.

(The order referred to is as follows:)

WAR DEPARTMENT CLAIMS BOARD,
PERSONNEL SECTION,
Washington, November 25, 1919.

Special Orders, No. 30.

1. L. J. Blakey, accountant, on duty with the Ordnance District Claims Board, Chicago, Ill., is hereby temporarily detailed for a period not to exceed two months from this date with the Air Service Claims Board, Washington, D. C., reporting in person, through the personnel officer, War Department Claims Board, to the chairman of the Air Service Claims Board for instructions.

By authority of the Assistant Secretary of War, Director of Munitions:

IRA L. REEVES,
Colonel, Infantry,
Personnel Officer, War Department Claims Board.

Mr. GRAHAM. Now, that I see, is dated the 25th of November. Did you go back to Chicago to get your effects?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did you have anything to do with the Chicago claims board since that?

Mr. BLAKEY. I only stayed there over Sunday and got a travel order on Monday and came back and reported to Washington, and the chairman of the War Department Claims Board, I think, immediately wanted to send me to New York, and I objected to that.

Mr. GRAHAM. Why did you object?

Mr. BLAKEY. I could not afford to go out into the field again, or to go to New York, because I thought it would cost me more than I could get out of it.

Mr. GRAHAM. Don't they pay your travel expenses?

Mr. BLAKEY. They allow \$4 a day, but I thought the expenses would be more in New York. I could not take my wife over there and make an effort to live on that. I would rather get out of the service than try to do that, and I wrote Col. Reeves explaining my position in that matter, and a few days later I received, December 6, I received another order transferring me back to the Board of Contract adjustments here in Washington. I got that yesterday morning.

Mr. GRAHAM. Will you let me see that order?

Mr. BLAKEY. Yes, sir [handing a paper to Mr. Graham].

Mr. GRAHAM. This may also go into the record.

(The paper last referred to is as follows:)

WAR DEPARTMENT CLAIMS BOARD,
PERSONNEL SECTION,
Washington, December 6, 1919.

Special Orders, No. 43.

1. Paragraph 2 of Special Orders No. 42 detailing J. M. Englander, accountant on duty with the Baltimore ordnance district, for temporary duty with the board of contract adjustment, is rescinded.

2. L. J. Blakey, accountant, Ordnance District Claims Board, Chicago, Ill., is temporarily detailed for a period not to exceed two months from this date with the Board of Contract Adjustment, Washington, D. C., and will report in person to the chairman of that board for instructions. Paragraph 1 of Special Orders, No. 30, detailing L. J. Blakey for temporary duty with the Air Service Claims Board is rescinded.

By authority of the Assistant Secretary of War, Director of Munitions.

H. F. DALTON,
Colonel, Infantry, Assistant Personnel Officer, War Department Claims Board.

Copy for:

Mr. Blakey, c/o chairman, Board of Contract Adjustment.

Mr. Englander, c/o chairman, Air Service Claims Board.

Chairman, Air Service Claims Board.

Chief, cost accounting section, Ordnance office.

Mr. Marshall.

File.

Mr. GRAHAM. Well, now, is that your assignment to duty and you are here?

Mr. BLAKEY. Yes, sir; I reported yesterday afternoon to the board of contract adjustment and will go back to them.

Mr. GRAHAM. Had you ever had any work in connection with them before?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. Do you know whether there is any accountant still employed in Chicago?

Mr. BLAKEY. Yes, sir; there are.

Mr. GRAHAM. Is Mr. Miller still there?

Mr. BLAKEY. Mr. Miller is still there; in fact, there is a force of either 50 or 60 men, or maybe 80 still in that district, and several, of course, in that Chicago office.

Mr. GRAHAM. Is there plenty of work to do there, then?

Mr. BLAKEY. From what I understand, yes; there are several claims there.

Mr. GRAHAM. Are there still some accountants out at the Standard Steel Car Co. plant?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. How many, do you know?

Mr. BLAKEY. Twelve or fourteen.

Mr. GRAHAM. What are they doing?

Mr. BLAKEY. They have not finished vouchering all the disbursements the Standard Co. had made up to the 1st of October; they were still taking credits for various scrap sales and things of that kind, I understand; they are working up an analysis of what was spent for increased facilities, as they are doing on the cost-plus contracts.

Mr. GRAHAM. All the work you did during the war was in the Chicago district?

Mr. BLAKEY. No, sir; I was with the Bartlett-Haywood Co.

Mr. GRAHAM. Yes; I remember you were; but all the work you did in connection with the Claims Board was in Chicago?

Mr. BLAKEY. Yes, sir.

Mr. GRAHAM. Did you request to be taken away from Chicago?

Mr. BLAKEY. No, sir.

Mr. GRAHAM. Do you want to ask him anything, Mr. Garrett?

Mr. GARRETT. Was there anything said to you in connection with your transfer to lead you to think that they wanted to get you out of Chicago for any reason?

Mr. BLAKEY. Nothing except that I was not consulted in the matter at all; they usually ask a man if he wants to go to a certain locality, and they try to assign him accordingly, but in my case the order came out and I was not consulted at all.

Mr. GARRETT. I was about to ask if there was anything unusual about the accountants being transferred from one division to another if you know?

Mr. BLAKEY. I thought it was—my personal opinion of it was that it was the claims board in Chicago that wanted to get rid of me on account of the notoriety I had caused in connection with the Standard Steel Car Co. And if I had known when I was leaving Chicago that I was to go to New York, I would have resigned then, and would not have gone to New York; I had no objection to working in the Air Craft at Washington.

FURTHER TESTIMONY BY COL. IRA L. REEVES—Recalled.

Mr. GRAHAM. Do you care to make a statement in this matter, Colonel?

Col. REEVES. I wish to say in the matter of personnel generally that the War Department claims the adjustment of them has proceeded to that point where it is thought advisable that we reduce the personnel engaged by pooling all the bureaus in all the districts. You see, formerly, these bureau boards were under the chiefs of the respective bureaus, so resolutions were passed by Department Claims Board placing all personnel directly under the War Department Claims Board and taking it out of the bureau chief's, and pooling all personnel. The first order that was issued was that pooling cost accountants. We were up against a very serious situation in the matter of getting a sufficient number of cost accountants to efficiently perform this duty. There are a great many men enjoying the title of cost accountants and who were enjoying it during the war who I am afraid are not more than bookkeepers, so we were trying

to keep those that were trained, and not employ more; even though they were bookkeepers, they had the training, and an order went out to keep those and not to employ any more. The first order that came was from the Aircraft Division; they had no cost accountants. They came to my office—and, by the way, I was made personnel officer for the bureaus—they called on me for cost accountants. We took them from wherever we could get them; we took four, I think, from Boston; they had practically finished their claims there; and it was a matter that we had to get them wherever we could get them. It was a matter that had to go forward. We have never secured the full amount.

Mr. Blakey happened to be in Washington at the time. His name was first mentioned by Mr. Hall, I believe. He was away from Chicago for some time and not much in touch with it, and, not assuming to look after the business of you gentlemen, but I knew he had been here, and I thought he might be needed again, and I thought it was a temporary position and personally I thought I was doing Mr. Blakey a personal favor by having him in Washington. It developed that the aircraft had some of this field work, and Mr. Blakey happened to be one that they wanted to go to New York. He called the matter to my attention, and he did not want to go, so at that time Mr. Englander, who had been before that with the board of contract adjustment, received an assignment leaving a vacancy there, so we immediately put Mr. Blakey in that. It is an unusually good job; probably more of a consultant than an accountant. It was never intended to be a reflection on Mr. Blakey. If there has been any intention of that kind he would not have been brought down to Washington.

Mr. GARRETT. Colonel, has there been any disposition on the part of those in authority that you know anything about to discipline Mr. Blakey on account of the fact that he testified here?

Col. REEVES. None that I heard of at all.

Mr. GRAHAM. Were there any accountants taken out of the Chicago district board, except Mr. Blakey?

Col. REEVES. We asked for two others, and I think it was a telegram, I think I got a telegram back that no others could be spared at that time.

Mr. GRAHAM. Do you know what others you asked for?

Col. REEVES. No, sir; I don't know that we asked for them by name.

Mr. GRAHAM. Just asked for two accountants?

Col. REEVES. Just asked for two accountants. I don't think I wrote the telegram; there may have been a suggestion made whether Mr. Grafke could be spared.

Mr. GRAHAM. And they could not spare him?

Col. REEVES. No, sir.

Mr. GRAHAM. I think that is all.

(And thereupon, at 12.15 o'clock p. m., the committee adjourned to meet at the call of the chairman.)

WAR EXPENDITURES.

SUBCOMMITTEE No. 5 (ORDNANCE),
OF THE SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Tuesday, December 30, 1919.

The subcommittee met at the call of the chairman at 10 o'clock a. m., Hon. William J. Graham (chairman) presiding.

Present also: Hon. Albert W. Jefferis and Hon. Finis J. Garrett.

Mr. GRAHAM. The committee has been called together in order to place in the record papers containing supplemental evidence, which I herewith submit for the purpose of printing. The matter is as follows:

In connection with the testimony of Mr. Clair Foster, pages 1543 to 1560 of the record, the following letter and tabulated statement may be inserted in the record:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, October 11, 1919.

Hon. WILLIAM J. GRAHAM,
House of Representatives, United States.

MY DEAR MR. GRAHAM: In accordance with request, of October 6, transmitted through the office of Assistant Director Purchase, Storage and Traffic, there is handed you herewith a list of ordnance construction contracts on which work was initiated by the Ordnance Department to be subsequently carried on by the Construction Division.

Respectfully,

C. C. WILLIAMS,
Major General, Chief of Ordnance, United States Army,
By R. H. HAWKINS,
Lieutenant Colonel, Ordnance Department, United States Army.

War—Ord. No.	Name.	Location of site.	Project.
P3548-1231Tw....	Harlin-Rockwell.....	Delaware City, Del.	Land and building for bomb loading plant.
P16080-3846A....	Gillespie Loading Co.....	Morgan, N. J.....	Reconstruction of loading plant.
G1178-645A.....	Bethlehem Loading Co.....	Hays Landing, N. J.	Lease of land and construc- tion of buildings.
P1644-3461A....	Cribben & Sexton Co.....	Chicago, Ill.....	Plant for machining H. F. shell.
P13414-952C.....	Carnegie Institution of Washing- ton.	Mount Wilson Solar Observa- tory, Pasadena, Calif.	Plant for manufacture of pre- cision optics for fire control.
P13614-2302Mc....	Locomotive Co. of America.....	Bridgeport, Conn..	Machines, tools, and other equipment for manufactur- ing Liberty motors.
P16445-27168a....	Midvale Steel & Ordnance Co.....	Eddystone, Pa....	Construction of storage ware- house.
P19021-1822M.....	Lorain County Electric Co.....	Lorain, Ohio.....	Power plant.
P16719-1505E.....	Domestic Coke Corporation.....	Fairmont, W. Va....	By-product coke oven plant.
P8835-940E.....	Birmingham Coke & By-Products Co.	Birmingham, Ala.	Land and buildings for by- product coke oven plant.
P9644-1084B.....	International Coal Products Cor- poration.	Clinchfield, Va....	Land and buildings for carbo- coal distillation plant.
P8243-914F.....	Donnor-Union Coke Corporation..	Buffalo, N. Y.....	By-product coke plant.
P13292-1187M.....	West Pennsylvania Power Co.....	Springdale, Pa....	Electrical power plant.
P15049-1487M.....	Duquesne Power Co.....	Banots Island, Pa.; Woodville, Pa.	Additional equipment to power plant.

In connection with the testimony of Mr. Andrew Stewart, accountant, page 2371 of the record, the following letter and statement has been received by the committee, which is now here inserted in the record:

WAR DEPARTMENT, FINANCE SERVICE,
OFFICE OF THE DIRECTOR OF FINANCE,
Washington, November 11, 1919.

Mr. N. H. SHAW,
Clerk Select Committee on Expenditures in War Department,
House of Representatives, Washington, D. C.

DEAR SIR: 1. Inclosed please find memorandum showing the amount received from the sale of war materials, which has been credited back to the same appropriation to which the original cost was charged.

2. This information has been compiled, to the best of my ability, from the books of the several bureaus now under the jurisdiction of the Director of Finance.

3. I regret that it has taken so long to supply the figures, but I found it was more of a task than I first imagined.

Yours, very truly,

H. L. ROBINSON,
Chief Accountant, Funding Division, Office of Director of Finance

Receipts from sales of war material credited back to the original appropriation to which the original cost was charged.

Quartermaster Corps:

General appropriations, 1919-----	\$148, 041, 821.5
Mileage to officers and contract surgeons, 1919-----	16, 324.4
Supplies, services, and transportation, Quartermaster Corps, 1917-18, act June 15, 1917-----	1, 803, 387.9
Supplies, services, and transportation, Quartermaster Corps, 1918-----	126, 783, 744.4
Barracks and quarters, 1918-----	16, 573.5
Air Service, military, 1919-----	39, 067.2
Air Service, production, 1919-----	2, 493, 963.6
Ordnance stores and supplies, 1919-20-----	6, 622.4

Ordnance Department:

Ordnance service, 1919-----	6, 490.5
Ordnance stores, ammunition, 1917-18, act June 15, 1917--	2, 150, 000.00
Ordnance stores, ammunition, 1918-19-----	1, 000, 077.4
Ordnance stores and supplies, 1919-20-----	45.07
Small-arms target practice, 1918-19-----	820, 422.3
R. O. and O. S., 1919-20-----	9, 355.04
Manufacture of arms, 1918-19-----	900.00
Manufacture of arms, 1919-20-----	100.00
Automatic rifles, 1918-----	110.00
Automatic rifles, no year-----	1, 750, 000.00
Armament of fortifications B-----	55, 801.00
Armament of fortifications C-----	4, 060, 558.7
Air Service: Increase aviation Signal Corps-----	545, 838.00

Total----- 289, 601, 384.57

In connection with the testimony of Col. Charles T. Harris, jr., pages 436 to 444 of the record, given on August 13, 1919, on October 23, 1919, the following letter and exhibit were received by the subcommittee, which are now here inserted in the record:

WAR DEPARTMENT, AMMUNITION DIVISION,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, October 23, 1919.

Hon. WILLIAM J. GRAHAM,
Chairman Select Committee on Expenditures in War Department,
Washington, D. C.

Subject: Itemized report on artillery ammunition.

SIR: I am directed by the Chief of Ordnance to forward herewith an itemized report on artillery ammunition, giving by caliber the information re-

quested by you on contracts and overseas shipments, in so far as the ammunition division has been able to obtain contract data.

2. Information covering expenditures against a number of contracts is not shown in the report, due to the fact that no records covering same are available in this office. As soon as this information has been received from the district offices, through the director of finance, a tabulation will be prepared and forwarded to complete the report.

3. The items for which no figures on expenditures are available are as follows:

Caliber.	Contracts.	Caliber.	Contracts.
37 mm.....	39	8 inches.....	230
75 mm.....	409	9.2 inches.....	140
3 inches.....	88	240 mm.....	137
4.7 inches.....	307	12 inches.....	55
6 inches.....	212	14 inches.....	5
155 mm.....	399		

Respectfully,

C. T. HARRIS, Jr.,
Colonel, Ordnance Department, United States Army,
Chief Ammunition Division.

OCTOBER 31, 1919.

Col. C. T. HARRIS, Jr.,
Ordnance Department, Washington, D. C.

DEAR SIR: Referring to your letter of October 23, RHH:med, B-4-318; you state in your letter that no figures on expenditures are available for certain contracts. Will you inform us the reason for this?

Very truly, yours,

W. J. GRAHAM,
Chairman Select Committee on Expenditures in the War Department.

AMMUNITION DIVISION,
WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, November 6, 1919.

Mr. W. J. GRAHAM,
Chairman Select Committee on Expenditures in War Department,
Washington, D. C.

Subject: *Contract data.*

SIR: 1. I am directed by the Chief of Ordnance to acknowledge your letter of October 31, 1919, file OMA 160/650, relative to expenditures on contracts given on report furnished you under date of October 23d.

2. Inasmuch as the disbursing officers are situated at the various manufacturing plants or at the district offices and being responsible for all financial matters coming under their control, all information relative to expenditures on individual contracts must be obtained from them.

3. Of the 1969 contracts on which the expenditures were lacking at the time of furnishing the report, information has been received on approximately 75 per cent and the balance are coming in daily. This information is being tabulated as rapidly as the personnel will permit and will be furnished you at the earliest possible date.

Respectfully,

CHAS. M. STEESE,
Colonel, Ordnance Department, United States Army,
Acting Chief, Ammunition Division.

Ammunition report for Congressional Committee on Expenditures in War De

Item.			Contracts.			Shipments to American Expeditionary Force.		
Caliber.	Material.	Type.	Number of contracts. ¹	Total face value. ²	Amount expended. ³	Floated.	On hand Nov. 11, 1918.	Forwarded.
37-mm.	Raw material.	Brass.....	11	\$143,288				
	Do.	Copper.....	1	320				
	Shell and shrapnel.	Machinery.....	2	7,010				
	Do.	Shrapnel balls.....	3	217,462	\$99,136			
	Fuses.....	Machinery.....	2	538,246	147,534			
	Primers.....		4	3,050				
	Cartridge cases	Machinery.....	5	802,527	420,403			
	Do.	Brass cartridge case disks.....	12	429,949	98,112			
	Complete rounds.		12	13,347,336	6,226,139	2,099,830		
	Containers.	Packing boxes.....	1	25,830				
	Explosives.	T. N. T., 5,928 pounds, at \$0.50.			2,964			
	Do.	Ammonium nitrate, 5,896 pounds, at \$0.15.			884			
	Do.	Mercury fulminate, 1,071 pounds, at \$3.17.			3,396			
	Do.	Black Powder, 1,008,844 pounds, at \$0.25.			402,211			
	Do.	Smokeless Powder, 346,208 pounds, at \$0.50½.			173,970			
	Total.....		53	15,515,018	7,544,748	2,099,830		
75-mm.	Raw material.	Brass.....	104	4,548,443	1,313,974			
	Do.	Steel.....	89	42,911,467	25,251,263			
	Do.	Copper.....	7	138,499				
	Shell.	Machining.....	57	85,739,195	38,839,119			
	Do.	Forgings.....	38	35,560,929	18,265,810			
	Do.	Copper bands.....	19	2,096,966	1,132,143			
	Do.	Base covers.....	20	425,735				
	Do.	Lead disk and calking wire.....	6	435,114	119,893			
	Do.	Shrapnel balls.....	3	253,060	112,128			
	Fuzes.....	Machining.....	39	24,214,924	12,026,298			
	Do.	Loading.....	24	34,637,537	12,588,729			
	Adapters and boosters.	Machining.....	35	12,614,028	3,002,825			
	Do.	Loading.....	9	1,964,079	5,127			
	Do.	Wood adapter plugs.....	5	197,875				
	Primers.....		6	5,332,657	2,989,154			
	Do.	Primer caps.....	1	500				
	Cartridge cases	Machining.....	26	17,024,240	6,412,290			
	Do.	Brass cartridge case disks.....	50	10,079,868	5,540,768			
	Do.	Obturator, 8.....	4	1,235,500				
	Do.	Diaphragms.....	5	210,440				
	Complete rounds.		27	173,743,842	102,141,915	8,537,529	120,000	6,000
	Containers.	Metal.....	2	517,815				
	Do.	Fiber.....	4	3,576,000	459,850			
	Do.	Packing boxes.....	65	4,904,778	2,109,620			
	Do.	Components.....	44	1,107,603				
	Explosives.	T. N. T., 6,254,584 pounds, at \$0.50.			3,127,292			
	Do.	Ammonium nitrate, 6,254,313 pounds, at \$0.15.			938,147			
	Do.	Tetryl, 54,887 pounds, at \$0.90.			49,398			
	Do.	Mercury fulminate, 78,312 pounds, at \$3.17.			248,240			

¹ No contracts by caliber are shown for explosive or cartridge bag material, as those items were manufactured in bulk and shipped to plants where needed, regardless of caliber. The amounts actually used for the various calibers are estimated however, and shown in the "Expended" column. In cases where a contract covers complete rounds or components of several calibers, the contract is shown against each of the calibers included pro rata.

² Includes increased facilities.

³ Includes increased facilities and settlement of claims.

Ammunition report for Congressional Committee, etc.—Continued.

Item.			Contracts.			Shipments to American Expeditionary Forces.		
Caliber.	Material.	Type.	Number of contracts.	Total face value.	Amount expended.	Floated.	On firing line to Nov. 11, 1918.	Fired.
75-mm.	Explosives....	Black powder, 2,379,414 pounds, at \$0.25.	.....	.....	\$594,854	.....	.....	.....
	Do.....	Smokeless powder, 2,444,655 pounds, at \$0.50½.	.....	.....	12,284,394	.....	.....	.....
	Total.....	.....	689	\$463,501,094	249,552,249	8,537,529	120,000	6,000
3-inch.	Raw material.	Brass.....	13	318,811	105,770	.....	.....	.....
	Do.....	Steel.....	2	1,459,120	371,211	.....	.....	.....
	Do.....	Copper.....	1	7,380	.....	.....	.....	.....
	Shell.....	Machining.....	13	13,655,206	7,966,072	.....	.....	.....
	Do.....	Forgings.....	4	1,522,884	241,717	.....	.....	.....
	Do.....	Copper bands.....	8	71,641	.....	.....	.....	.....
	Do.....	Base covers.....	5	9,169	.....	.....	.....	.....
	Do.....	Lead disk and calking wire.....	6	6,699	.....	.....	.....	.....
	Fuzes.....	Machining.....	11	4,097,077	2,252,082	.....	.....	.....
	Do.....	Loading.....	11	11,500,395	1,035,201	.....	.....	.....
	Adapters and boosters.	Machining.....	4	823,100	.....	.....	.....	.....
	Do.....	Loading.....	5	2,616,185	.....	.....	.....	.....
	Do.....	Wood adapter plugs.....	2	43,811	.....	.....	.....	.....
	Primers.....	.....	8	732,890	602,521	.....	.....	.....
	Cartridge cases.	Machining.....	16	11,715,547	11,563,774	.....	.....	.....
	Do.....	Brass cartridge case disks.....	12	3,535,492	1,898,282	.....	.....	.....
	Do.....	Diaphragms.....	1	25,090	.....	.....	.....	.....
	Complete rounds.	.....	14	22,362,565	8,055,912	.....	.....	.....
	Containers.....	Metal.....	1	183,600	163,492	.....	.....	.....
	Do.....	Packing boxes.....	6	213,322	.....	.....	.....	.....
	Explosives.....	T. N. T., 867,961 pounds, at \$0.50.	.....	.....	430,476	.....	.....	.....
	Do.....	Ammonium nitrate, 860,907 pounds, at \$0.15.	.....	.....	129,136	.....	.....	.....
	Do.....	Tetryl, 159,114 pounds, at \$0.90.	.....	.....	143,203	.....	.....	.....
	Do.....	Mercury fulminate, 4,731 pounds, at \$3.17.	.....	.....	14,997	.....	.....	.....
	Do.....	Black powder, 501,208 pounds, at \$0.25.	.....	.....	125,302	.....	.....	.....
	Do.....	Smokeless powder, 4,569,688 pounds, at \$0.50½.	.....	.....	2,296,268	.....	.....	.....
	Total.....	.....	142	74,899,804	37,325,416	.....	.....	.....
4.7-inch.	Raw material.	Brass.....	101	489,034	174,795	.....	.....	.....
	Do.....	Steel.....	14	3,293,046	2,473,756	.....	.....	.....
	Do.....	Copper.....	3	1,612	.....	.....	.....	.....
	Shell.....	Machining.....	36	28,443,019	11,017,387	.....	.....	.....
	Do.....	Forgings.....	22	12,249,922	4,771,429	.....	.....	.....
	Do.....	Copper bands.....	16	865,838	109,699	.....	.....	.....
	Do.....	Base covers.....	7	111,013	.....	.....	.....	.....
	Do.....	Lead disk and calking wire.....	8	59,525	.....	.....	.....	.....
	Do.....	Shrapnel balls.....	2	110,280	.....	.....	.....	.....
	Fuzes.....	Machining.....	50	4,100,726	2,104,789	.....	.....	.....
	Do.....	Loading.....	24	19,283,235	1,422,256	.....	.....	.....
	Adapters and boosters.	Machining.....	2	83,200	.....	.....	.....	.....
	Do.....	Loading.....	1	194,040	.....	.....	.....	.....
	Do.....	Wood adapter plugs.....	1	15,500	.....	.....	.....	.....
	Primers.....	.....	11	580,534	392,516	.....	.....	.....
	Cartridge cases	Machining.....	14	5,279,139	2,387,344	.....	.....	.....
	Do.....	Brass cartridge-case disks.....	13	3,526,131	822,888	.....	.....	.....
	Do.....	Diaphragms.....	4	126,300	.....	.....	.....	.....
	Cartridge bags	Sewing.....	1	180	.....	.....	.....	.....
	Complete rounds.	.....	22	15,665,481	3,136,572	272,232	17,000	14,000

Ammunition report for Congressional Committee, etc.—Continued

Item.			Contracts.			Shipments to American Expeditionary Force.		
Caliber.	Material.	Type.	Number of contracts.	Total face value.	Amount expended.	Floated.	On firing line to Nov. 11, 1918.	Fat.
4.7-inch.	Containers....	Metal.....	1	\$1,135				
	Do.....	Packing boxes.....	38	689,556	\$432,695			
	Do.....	Components.....	48	278,198				
	Explosives....	T. N. T., 553,379 pounds at \$0.50.			276,690			
	Do.....	Ammonium nitrate, 1,166,956 pounds at \$0.15.			175,043			
	Do.....	Tetryl, 84,590 pounds at \$0.90.			76,131			
	Do.....	Mercury fulminate, 14,279 pounds at \$3.17.			45,264			
	Do.....	Ammonium chloride, 47,669 pounds at \$0.124.			5,959			
	Do.....	Black powder, 71,227 pounds at \$0.25.			17,807			
	Do.....	Smokeless powder, 3,842,336 pounds at \$0.504.			1,930,774			
	Total....		439	95,449,644	31,773,794	272,232	17,000	14.02
6-inch.	Raw material.	Brass.....	76	135,485	63,441			
	Do.....	Steel.....	4	4,008,212	4,128,137			
	Do.....	Copper.....	3	1,563				
	Shell.....	Machining.....	5	7,964,165	6,363,335			
	Do.....	Forgings.....	4	2,426,394	2,114,320			
	Do.....	Copper bands.....	8	486,911				
	Do.....	Base covers.....	3	41,394				
	Do.....	Lead disk and calking wire.	4	31,311				
	Do.....	Grommets.....	2	13,085				
	Fuzes.....	Machining.....	46	1,524,224	723,697			
	Do.....	Loading.....	23	501,094	126,499			
	Adapters and boosters.	Machining.....	1	829,876	310,873			
	Do.....	Loading.....	1	59,535				
	Do.....	Wood adapter plugs.....	3	64,618				
	Primers.....		2	40,800				
	Cartridge cases	Machining.....	3	225,755	151,049			
	Cartridge bags	Sewing.....	10	117,814				
	Complete rounds.		9	2,598,207	177,458	12,420		
	Containers....	Metal.....	1	73				
	Do.....	Fiber.....	1	279,013	325,000			
	Do.....	Packing boxes.....	38	158,599	11,779			
	Do.....	Components.....	58	73,813				
	Explosives....	T. N. T., 492,097 pounds, at \$0.50.			246,049			
	Do.....	Ammonium nitrate, 1,968,383 pounds, at \$0.15.			296,257			
	Do.....	Tetryl, 25,953 pounds, at \$0.90.			23,358			
	Do.....	Mercury fulminate, 3,934 pounds, at \$3.17.			12,471			
	Do.....	Ammonium chloride, 72,049 pounds, at \$0.124.			9,006			
	Do.....	Black powder, 166,256 pounds, at \$0.25.			41,564			
	Do.....	Smokeless powder, 6,717,859 pounds, at \$0.504.			3,375,724			
	Cartridge bag material.	Bag cloth, 611,506 yards, at \$0.5522.			337,674			
	Do.....	Igniter cloth, 69,200 square yards, at \$0.61.			42,212			
	Do.....	Silk thread, 1,956 pounds, at \$5.70.			11,149			
	Total....		305	21,081,940	18,890,102	12,420		

Ammunition report for Congressional Committee, etc.—Continued.

Item.			Contracts.			Shipments to American Expeditionary Forces.		
Caliber.	Material.	Type.	Number of contracts.	Total face value.	Amount expended.	Floated.	On firing line to Nov. 11, 1918.	Fired.
155-mm.	Raw material.	Brass	76	\$1,336,282	\$300,110			
	Do.....	Steel.....	69	77,866,087	48,523,172			
	Do.....	Copper.....	9	68,488				
	Shell and shrapnel.	Machining.....	61	210,075,114	65,182,558			
	Do.....	Forging.....	56	60,436,506	28,396,089			
	Do.....	Copper bands.....	21	4,134,967	792,367			
	Do.....	Base covers.....	8	894,219	121,375			
	Do.....	Lead disk and calking wire.....	9	342,187	183,753			
	Do.....	Lifting plugs.....	14	1,433,291	163,090			
	Do.....	Grommets.....	4	234,011	221,123			
	Do.....	Shrapnel balls.....	1	1,280,000	1,272,430			
	Do.....	Diaphragms.....	6	170,500				
	Fuzes.....	Machining.....	28	5,840,092	3,334,356			
	Do.....	Loading.....	13	5,524,076	1,633,228			
	Adapters and boosters.	Machining.....	27	5,267,130	1,723,349			
	Do.....	Loadings.....	1	140,000	16,684			
	Do.....	Wood adapter plugs.....	16	1,316,518	1,171,596			
	Primers.....		3	766,000	77,540			
	Cartridge bags.	Sewing.....	26	1,290,579				
	Complete rounds.		9	40,111,779	17,774,087	305,028		
	Containers.....	Metal.....	2	14,350				
	Do.....	Fiber.....	13	3,216,810	569,929			
	Do.....	Packing boxes.....	43	2,456,314	36,306			
	Do.....	Components.....	102	4,392,669				
	Do.....	Tools.....	3	492				
	Explosives.....	T. N. T., 5,086,158 pounds at \$0.50.			2,543,079			
	Do.....	Ammonium nitrate, 20,344,633 pounds at \$0.15.			3,051,696			
	Do.....	Tetryl, 157,162 pounds at \$0.90.			141,446			
	Do.....	Mercury fulminate, 2,020 pounds at \$3.17.			6,403			
	Do.....	Ammonium chloride, 672,327 pounds at \$0.124.			84,041			
	Do.....	Black powder, 823,135 pounds at \$0.25.			205,784			
	Do.....	Smokeless powder, 20,610,501 pounds at \$0.504.			10,356,777			
	Cartridge-bag material.	Bag cloth, 13,214,741 square yards at \$0.5222.			7,297,180			
	Do.....	Igniter cloth, 724,776 square yards at \$0.5545.			401,888			
	Do.....	Silk thread, 40,434 pounds at \$5.70.			230,474			
	Total.....		618	428,608,461	195,811,909	305,028		
8-inch..	Raw material.	Brass	65	78,119	27,426			
	Do.....	Steel.....	17	12,226,635	6,878,275			
	Shell.....	Machining.....	12	29,051,987	11,635,464			
	Do.....	Forging.....	10	19,147,918	7,034,770			
	Do.....	Copper bands.....	16	1,299,255	458,684			
	Do.....	Base covers.....	6	164,599				
	Do.....	Lead disk and calking wire.....	4	90,924				
	Do.....	Lifting plugs.....	2	205,200				
	Do.....	Grommets.....	6	102,980				
	Fuzes.....	Machining.....	35	3,402,225	1,907,281			
	Do.....	Loading.....	15	1,076,864	150,291			
	Adapters and boosters.	Machining.....	1	252,000	142,409			
	Do.....	Loading.....	1	91,287				
	Do.....	Wood adapter plugs.....	5	346,022	137,616			
	Primers.....		2	171,000				

Ammunition report for Congressional Committee, etc.—Continued

Item.			Contracts.			Shipments to American Expeditionary Force	
Caliber.	Material.	Type.	Number of contracts.	Total face value.	Amount expended.	Shipped.	On firing line to Nov. 11, 1918.
8-inch..	Cartridge bags.	Sewing.....	11	\$119,995			
	Complete rounds.		4	5,080,936	\$4,368,964		
	Containers.....	Metal.....	1	49			
	Do.....	Fiber.....	3	521,500	170,000		
	Do.....	Packing boxes.....	26	119,026	59,213		
	Do.....	Components.....	56	283,061			
	Do.....	Tools.....	3	492			
	Explosives.....	T. N. T., 2,146,553 pounds, at \$0.50.			1,073,277		
	Do.....	Ammonium nitrate, 8,586,211 pounds, at \$0.15.			1,287,932		
	Do.....	Tetryl, 52,761 pounds, at \$0.90.			46,485		
	Do.....	Mercury fulminate, 2,991 pounds, at \$3.17.			9,481		
	Do.....	Ammonium chloride, 145,194 pounds, at \$0.12½.			18,149		
	Do.....	Black powder, 81,402 pounds, at \$0.25.			20,351		
	Do.....	Smokeless powder, 4,987,248 pounds, at \$0.50½.			2,506,092		
	Cartridge-bag material.	Bag cloth, 1,457,304 square yards, at \$0.5757.			838,970		
	Do.....	Igniter cloth, 217,605 yards, at \$0.6241.			135,807		
	Do.....	Silk thread, 3,811 pounds, at \$5.70.			21,728		
	Total.....		301	73,832,074	38,928,660		
9.2-inch.	Raw material.	Brass.....	20	39,787	19,227		
	Do.....	Steel.....	46	38,727,165	22,512,922		
	Shell.....	Machining.....	15	44,805,000	10,664,163		
	Do.....	Forging.....	23	19,438,341	5,825,251		
	Do.....	Copper bands.....	11	1,525,124	803,732		
	Do.....	Lifting plugs.....	3	583,200			
	Do.....	Grommets.....	1	17,808			
	Fuzes.....	Machining.....	16	2,004,008	1,306,021		
	Do.....	Loading.....	5	497,663	50,638		
	Adapters and boosters.	Machining.....	1	320,000	78,474		
	Do.....	Loading.....	1	32,193			
	Do.....	Wood adapter plugs.....	5	197,950			
	Primers.....		4	674,023	280,000		
	Cartridge bags.	Sewing.....	4	97,794			
	Complete rounds.		4	1,625,559	1,345,646	10,000	
	Containers.....	Metal.....	1	49			
	Do.....	Fiber.....	2	234,000			
	Do.....	Packing boxes.....	17	105,522	52,382		
	Do.....	Components.....	49	91,819			
	Do.....	Tools.....	3	492			
	Explosives.....	T. N. T., 1,212,662 pounds, at \$0.50.			606,331		
	Do.....	Ammonium nitrate, 4,850,646 pounds, at \$0.15.			727,597		
	Do.....	Tetryl, 21,366 pounds, at \$0.90.			19,229		
	Do.....	Mercury fulminate, 2,188 pounds, at \$3.17.			6,936		
	Do.....	Ammonium chloride, 69,593 pounds, at \$0.12½.			8,609		
	Do.....	Black powder, 66,445 pounds, at \$0.25.			16,611		
	Do.....	Smokeless powder, 5,050,032 pounds, at \$0.50½.			2,537,641		

Ammunition report for Congressional Committee, etc.—Continued.

Item.			Contracts.			Shipments to American Expeditionary Forces.		
Caliber.	Material.	Type.	Number of contracts.	Total face value.	Amount expended.	Floated.	On firing line to Nov. 11, 1918.	Fired.
9.2-inch.	Cartridge-bag material.	Bag cloth, 2,348,210 square yards, at \$0.5522.	.....	.....	\$1,296,682	.....	.....	.....
	Do.	Igniter cloth, 469,642 square yards, at \$0.56.	.....	.....	263,000	.....	.....	.....
	Do.	Silk thread, 4,920 pounds, at \$5.70.	.....	.....	28,044	.....	.....	.....
	Total.		240	\$111,017,497	48,479,225	10,000	.....	.....
340-mm.	Raw material.	Brass.	29	35,080	16,719	.....	.....	.....
	Do.	Steel.	10	10,954,038	8,203,363	.....	.....	.....
	Shell.	Machining.	4	29,693,642	5,269,993	.....	.....	.....
	Do.	Forging.	10	12,355,555	7,628,898	.....	.....	.....
	Do.	Copper bands.	10	1,076,746	135,570	.....	.....	.....
	Do.	Base covers.	4	254,189	.....	.....	.....	.....
	Do.	Lead disk and calking wire.	4	49,954	.....	.....	.....	.....
	Do.	Lifting plugs.	2	135,000	.....	.....	.....	.....
	Do.	Grommets.	1	11,500	.....	.....	.....	.....
	Fuses.	Machining.	16	1,879,408	1,230,127	.....	.....	.....
	Do.	Loading.	5	466,875	46,440	.....	.....	.....
	Adapters and boosters.	Machining.	1	579,000	92,640	.....	.....	.....
	Do.	Loading.	1	30,870	.....	.....	.....	.....
	Primers.		2	100,375	.....	.....	.....	.....
	Complete rounds.		1	37,989	30,776	.....	.....	.....
	Containers.	Metal.	1	49	.....	.....	.....	.....
	Do.	Packing boxes.	16	82,611	49,328	.....	.....	.....
	Do.	Components.	32	6,745	.....	.....	.....	.....
	Do.	Tools.	3	492	.....	.....	.....	.....
	Explosives.	T. N. T., 12,674 pounds, at \$0.50.	.....	.....	6,337	.....	.....	.....
	Do.	Ammonium nitrate, 50,695 pounds, at \$0.15.	.....	.....	7,604	.....	.....	.....
	Do.	Tetryl, 20,393 pounds, at \$0.90.	.....	.....	18,354	.....	.....	.....
	Do.	Mercury fulminate, 1,933 pounds, at \$3.17.	.....	.....	6,128	.....	.....	.....
	Do.	Ammonium chloride, 676 pounds, at \$0.124.	.....	.....	85	.....	.....	.....
	Do.	Black powder, 844 pounds, at \$0.25.	.....	.....	211	.....	.....	.....
	Total.		152	57,750,118	22,742,563	.....	.....	.....
12-inch.	Raw material.	Brass.	8	32,458	.....	.....	.....	.....
	Do.	Steel.	7	3,694,310	710,621	.....	.....	.....
	Shell.	Machining.	4	15,940,000	2,285,258	.....	.....	.....
	Do.	Forging.	9	17,976,125	1,894,164	.....	.....	.....
	Do.	Copper bands.	3	170,597	.....	.....	.....	.....
	Do.	Base covers.	3	96,889	.....	.....	.....	.....
	Do.	Lead disk and calking wire.	2	4,508	.....	.....	.....	.....
	Do.	Grommets.	1	5,200	.....	.....	.....	.....
	Fuses.	Machining.	6	53,940	33,808	.....	.....	.....
	Do.	Loading.	3	250,425	118,125	.....	.....	.....
	Adapters and boosters.	do.	1	2,898	.....	.....	.....	.....
	Primers.		2	65,000	.....	.....	.....	.....
	Complete rounds.		1	2,108,491	2,108,491	.....	.....	.....
	Cartridge bags.	Sewing.	4	16,523	.....	.....	.....	.....
	Containers.	Packing boxes.	5	34,449	1,718	.....	.....	.....
	Do.	Components.	8	2,348	.....	.....	.....	.....
	Do.	Tools.	3	492	.....	.....	.....	.....
	Explosives.	T. N. T., 299 pounds, at \$0.50.	.....	.....	150	.....	.....	.....
	Do.	Tetryl, 9,869 pounds, at \$0.90.	.....	.....	8,882	.....	.....	.....

Ammunition report for Congressional Committee, etc.—Continued.

Item.			Contracts.			Shipments to American Expeditionary Forces.		
Caliber.	Material.	Type.	Number of contracts.	Total face values.	Amount expended.	Floated.	On firing line to Nov. 11, 1918.	Fired.
12-inch.	Explosives...	Mercury fulminate, 211 pounds, at \$3.17.	.....	.....	\$669	.....	.....	.....
	Do.....	Explosive "D," 269,-790 pounds, at \$0.61.	.....	.....	159,082	.....	.....	.....
	Do.....	Black powder, 1,136 pounds, at \$0.25.	.....	.....	284	.....	.....	.....
	Cartridge bag material.	Bag cloth, 202,559 square yards, at \$0.6485.	.....	.....	131,360	.....	.....	.....
	Do.....	Igniter cloth, 23,150 square yards, at \$0.30.	.....	.....	18,520	.....	.....	.....
	Do.....	Silk thread, 406 pounds, at \$5.70.	.....	.....	2,314	.....	.....	.....
	Total.....	.....	70	\$40,453,653	7,473,446	.....	.....	.....
14-inch.	Raw material.	Steel.....	1	41,090	.....	.....	.....	.....
	Shell.....	Machining.....	2	2,386,720	.....	.....	.....	.....
	Do.....	Forging.....	3	3,821,970	118,160	.....	.....	.....
	Total.....	.....	6	6,249,710	118,160	.....	.....	.....

In connection with the testimony of Mr. Andrew Stewart, pages 2365 to 2373 of the record, the following letter has been received by the committee and is now here incorporated into the record:

WAR DEPARTMENT, FINANCE SERVICE,
OFFICE OF THE DIRECTOR OF FINANCE,
Washington, December 13, 1919.

Hon. WILLIAM J. GRAHAM,
*Chairman Select Committee on Expenditures in War Department,
House of Representatives.*

MY DEAR MR. GRAHAM: I am in receipt of the printed report carrying the statement of Mr. Andrew Stewart, public accountant, who made an exhaustive examination of the financial records in the office of the Director of Finance for the purpose of checking up the financial statement made to your committee by the Director of Finance under date of June 23, 1919. Allow me to preface what comment I have to make thereon by the statement that we found Mr. Stewart a most competent and capable accountant. The problem that he faced—the analysis of a statement covering an actual expenditure of approximately fifteen billions of dollars—was probably the most extraordinary financial examination that an accountant ever attempted; and when one considers the fact that he had, as I understand, no previous experience with War Department appropriations and War Department methods, the result he achieved is a great tribute to his ability.

The discrepancies to which he points in his report are apparent rather than real. On page 2366, wherein he makes reference to differences in figures furnished by the finance service and those compiled by himself, it will be noted that the total amount reported by finance exceeds that reported by Mr. Stewart by \$13,841,450.52. This apparent discrepancy is accounted for by the fact that deposits from receipts of sales made prior to February 28, 1919, not of record in this office when the finance statement was prepared, were in transit and, although made prior to the preparation of the finance report, did not enter into the records of the office of the Director of Finance until a later period. These deposits would be made of record in finance ledgers under date on which the

Treasury Department credited these amounts, although the actual entry would not be made until considerably after that date. Mr. Stewart, in compiling his figures at a comparatively recent date, would take these deposits into consideration, while the finance statement at the time of its preparation could not have considered these amounts, not having at that time received the report of the deposits from the Treasury.

The apparent discrepancies which he discloses where, according to his study of the finance service report, one bureau was overstated by a certain amount and another bureau understated by a certain amount, are due to the fact that interbureau procurements involving millions of dollars were made during the war whereby various War Department bureaus made purchases for other War Department bureaus and paid for such supplies from appropriations made available by Congress for the bureaus which submitted the requisitions for supplies. This policy was made necessary by the condition that existed early in the war. There were five independent supply bureaus in the War Department. Each one of these five supply bureaus had its own appropriations, executed its own contracts, made its own purchases, paying for same under its own system of expenditures and its own system of accounting. It was found as a result of this system that War Department bureaus were competing against each other in the market for a class of supplies common to several of the bureaus and supplies which were restricted in quantity. To obviate this unfortunate condition of things the purchase of an article common to two or more bureaus was assigned to some particular bureau. I may illustrate this by calling attention to the condition that existed relative to the purchase of automotive vehicles, such as trucks and automobiles. At the time of the declaration of war with the Central Powers all supply bureaus of the War Department were purchasing trucks and automobiles, buying different classes of vehicles and competing against each other in the market. The purchase of all supplies of this character was assigned to the Quartermaster General, and if the Ordnance Department required trucks they would submit their requisition to the Quartermaster General with specifications and complete instructions and the Quartermaster General would make that purchase when he bought trucks for other bureaus which made similar requisitions. Such purchases, while appearing on the books of the Quartermaster General, are properly Ordnance Department expenditures, and are included in finance service statement as an Ordnance cost.

Mr. Stewart did not take into his confidence anyone in this office, so far as can be ascertained, relative to his course of procedure in preparing his report, so that this office had no opportunity of knowing whether or not his figures justified the finance service statement. Presumably he had good reasons for making his report as he did entirely independent of anyone in this office, and, as stated above, it was a most exhaustive study which he made of War Department appropriations.

On page 2369 the question was asked by the chairman of the committee relative to \$5,000,000 paid to the Navy Department and included in the quartermaster expenditures. In that question you expressed a desire for knowledge of the purpose for which this payment was made. This amount was transferred under provisions of the act approved March 4, 1915, to the Navy ledger account by the Treasury upon request of the Secretary of War to permit direct expenditure from that appropriation by the Navy for repairs and operating expenses of vessels which the Navy was operating for the Army, the Navy Department having estimated the amount required for this purpose at \$5,000,000. Since this amount was charged against the War Department appropriations when the transfer by the Treasury was made, it was necessarily charged off on the records of this office.

On the same page of the hearing the chairman of the committee made inquiry relative to an item of \$209,000,000 paid to the Bureau of War Risk Insurance, Treasury Department, from the funds of the Quartermaster Corps, and asked information relative thereto, which Mr. Stewart very naturally was unable to answer. Deductions from pay due enlisted men of the Army are made by Army disbursing officers to cover allotments made by enlisted men to their dependents. Payment of these allotments to dependents under regulations were made by the Bureau of War Risk Insurance in the case of compulsory allotments and Class B or voluntary, allotments, which carried a Government allowance. The Army disbursing officers acted as collecting agents for the Treasury Department in

such cases and it was necessary for the War Department to transfer to the Bureau of War Risk Insurance these deductions made from the pay of soldiers, so that the funds would be available for payment to the beneficiaries. When these amounts were actually transferred from the control of the Director of Finance it was necessary on office records to charge off the amounts so transferred.

On page 2370 of this same hearing the chairman of the committee made inquiry relative to crediting funds received from sales to appropriations and utilizing these receipts for disbursements thereunder. Mr. Stewart referred to the fact that the system whereby these receipts were credited to appropriations has recently been changed, so that the money so realized will go directly to the Treasury and will not again be available for expenditure. Under the provisions of the act of Congress approved July 9, 1918 (Public No. 193, 65th Cong., H. R. 12281), the proceeds from sales of surplus war supplies were available for disbursement for purposes of the appropriations out of which the supplies were originally purchased. The act of Congress approved February 25, 1919 (Public No. 275, 65th Cong., H. R. 15140), repealed this provision of the act of July 9, 1918. Under provisions of the act of July 9, 1918, proceeds of sales prior to February 25, 1919, were credited back to the appropriation from which the supplies were purchased, and proceeds of sales made subsequent to February 25, 1919, have been deposited to the credit of miscellaneous receipts, Treasury Department, and are not available for purposes of the appropriation from which the supplies were purchased. This accounts for the change of system referred to by Mr. Stewart.

As stated in the early part of this letter, Mr. Stewart made a most exhaustive and, in the opinion of this office, an exceedingly able study of War Department expenditures and balances. His work was complicated by the heterogeneous and unscientific manner in which, through the greater part of the war, War Department expenditures were made and War Department financial accounting carried on. As he stated at the bottom of page 2367, the bureaus of the War Department did not have any common system of accounting and had not attempted or made use of any common accepted system of financial terminology. The Director of Finance, in taking over, as he did, by progressive steps the funds and financial duties of the various bureaus, experienced the same difficulty of ascertaining what was meant by the various financial statements compiled and submitted by the respective bureaus. As Mr. Stewart states at the bottom of the page in reference, "The same words have been used in different departments to mean different things." For example, it was impossible to determine without examination what was meant by the word "balance" in any submitted statement. In some cases it meant the Treasury balance, and in other cases an unobligated balance—two terms entirely dissimilar and in many respects not related in any way whatsoever. This is one of the remedies that has been applied under the new consolidated system, so that when the War Department finance consolidation is really completed there will be one accepted system of terminology that will be scientific and common to all appropriations.

Another difficulty that he experienced was that at the time of the preparation and submission of the finance service statement the finances of all of the active War Department bureaus had not been taken over by the Director of Finance, so that some of the finance statements furnished the Director of Finance which entered into his financial statement were furnished by organizations not immediately under his control, but which were under the control of the Director of Finance at the time he made his investigation of War Department expenditures.

Another difficulty that faced Mr. Stewart in making his examination was the fact that because of the rapid demobilization of the force on duty in the office of the Director of Finance many of those who were responsible for the actual preparation of the statement from the office of the Director of Finance, and some of them expert accountants, had gone out from the service and were not available to assist him in his investigation.

As stated by Mr. Stewart, a new system of accounting is being put into effect as rapidly as can be effected with the help of the available force, in connection with the extraordinary amount of current work which must be performed. Under this system of accounting, all War Department appropriations, all War Department expenditures, and all War Department balances will be

handled as one complete matter which, when perfected, will enable the War Department to furnish to Congress, whenever desired, a complete statement of the status of appropriations, expenditures, and balances.

At the bottom of page 2370 and the top of page 2371, Mr. Jefferis, of the committee, asks certain information relative to an approximate outstanding obligation of \$3,000,000,000. At the signing of the armistice the total amounts involved in contracts and procurement orders outstanding, both regular and irregular, was approximately \$5,000,000,000. Under these contracts a certain portion of the supplies had already been delivered so that there remained to be delivered, which was the part that was actually terminated, \$3,757,117,710.45. Of that there has been settled to date \$1,873,000,000, and we have paid to settle this obligation \$281,982,817.17.

Mr. Stewart, at the bottom of page 2372, refers to an apparent discrepancy in the "working balance," and this is referred to in the discussion at the bottom of page 2366. I am at loss to know the meaning of the statement there, because the working balance is a varying figure and the amount of the working balance as it existed at the time of the submission of the report by the Director of Finance has little or no bearing on the statement of the working balance at the time of Mr. Stewart's investigation. It might have been more at that time or it might have been less, depending entirely upon the demands from the field.

I felt that you were entitled to something of an explanation in view of Mr. Stewart's report, and I take this opportunity to assure you that the report as furnished by the Director of Finance, which is incorporated in the hearing under date of June 23, 1919, was as accurate an exposition of the statement of expenditures and balances of the War Department as could have been furnished at that time, and there is nothing in Mr. Stewart's report, after his careful and exhaustive study of the books, to indicate that the statement was in any way inaccurate but is in fact a justification of the report as submitted.

Very truly, yours,

H. M. LORD,

Brigadier General, Director of Finance, United States Army.

In connection with the testimony of Col. Odus C. Horney, pages 1701 to 1717 of the record, the following additional information has been furnished by the witness to the subcommittee:

ORDNANCE DEPARTMENT,

UNITED STATES ARMY,

Jacksonville, Tenn., November 20, 1919.

Mr. N. H. SHAW,

Clerk Select Committee on Expenditures in the War Department.

House of Representatives, Washington, D. C.

DEAR SIR: 1. I found your letter of November 10 waiting for me after an absence of some time from my office, and I hasten to send you herewith a list of the different types of buildings on the Old Hickory Reservation outside of the manufacturing plant.

2. There was some delay in preparing this list, as I found upon my return here that all of these buildings had not been included in the original list, and it was necessary to have estimates of the cost of a number of buildings prepared before an accurate list could be furnished to you.

Yours, very truly,

ODUS C. HORNEY,

*Lieutenant Colonel Ordnance Department,
United States Army, Commanding.*

Buildings, reservation (outside of plant).

Type.	Estimated cost of constructions.	Number of each kind of house.	Total estimated cost of constructions.
Special.....	\$12,010.71	1	\$12.00
Do.....	10,006.30	2	20.00
Woodford.....	7,932.91	1	7.93
Bay Tree.....	7,015.92	2	14.03
Ketchum.....	5,035.46	12	60.42
Arlington.....	4,866.48	17	80.73
Cumberland.....	3,896.13	15	43.44
Georgia.....	3,531.69	65	229.56
Haskell.....	2,961.32	115	340.50
Florence.....	2,979.64	66	196.66
Denver.....	2,316.00	50	115.80
Rubberoid bungalows.....	1,716.88	1,128	1,265.94
Hotel (196 rooms).....	109,061.21	1	109.06
Schoolhouse.....	90,591.95	1	90.59
Community garages.....	3,142.91	3	9.43
Riverside garages.....	760.20	21	15.86
Community Y. M. C. A.....	37,221.28	1	37.22
Central Y. M. C. A.....	32,376.91	1	32.38
Colored Y. M. C. A.....	17,075.53	1	17.08
Post office.....	5,396.35	1	5.40
Bank.....	9,137.73	1	9.14
Commissary warehouse.....	41,154.63	1	41.15
Village Community store.....	23,849.00	1	23.85
Village fire hall.....	3,532.71	1	3.53
Drug store.....	8,757.09	1	8.76
Y. W. C. A. Building.....	33,442.40	1	33.44
Two-story apartments (6 apartments of 6 rooms each).....	9,551.18	167	1,385.05
One-story apartments (6 apartments of 4 rooms each).....	5,163.56	84	433.73
24-room bunk house.....	3,737.00	76	284.01
6-room bunk house.....	942.75	208	196.08
Bachelor quarters (46 rooms).....	6,400.00	17	105.80
Women's dormitories (51 rooms).....	21,373.00	10	213.73
Women's halls (98 rooms).....	29,699.00	9	267.29
Women's lodge building.....	22,941.00	1	22.94
Total.....		2,063	6,639.59

ORDNANCE DEPARTMENT,

UNITED STATES ARMY,

Jacksonville, Tenn., November 24, 1919.

From: Commanding officer Old Hickory powder plant.

To: N. H. Shaw, clerk Select Committee on Expenditures in the War Department, House of Representatives, Washington.

Subject: Additional list of houses in village at Old Hickory powder plant.

1. Referring to my letter of the 20th instant (file OH 600.151/12), with which I forwarded a list of the houses in the village at this plant, I find that through clerical oversight the following constructions, constituting what is known as the "Mexican village," were omitted. I will ask you, therefore, to add to the list which has been sent you the following:

Type.	Estimated cost of construction.	Number of each kind.	Total estimated cost of construction.
Family apartment houses (12 apartments, 2 rooms each).....	\$2,520	19	\$47.88
Bunk houses (3 rooms each).....	1,945	15	29.17
Bathhouses.....	375	6	2.25
Commissary.....	4,063	1	4.06
Total.....			\$8.36

ODUS C. HOBNEY,

Lieutenant Colonel, Ordnance Department,
United States Army, Commanding.

In connection with the testimony of Gen. C. C. Williams, pages 1577-1578 of the record, the following information, requested October 10, 1919, was furnished on November 22, 1919, and is now inserted into the record:

AMMUNITION DIVISION, WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, November 22, 1919.

Mr. NEWTON H. SHAW,
Clerk, Select Committee on Expenditures in War Department,
Washington, D. C.

Subject: Powder expended by the A. E. F.

1. I am directed by the Chief of Ordnance to advise you that your letter of November 10. relative to the amount of powder used in the war, has been referred to this office.

2. A report covering the above subject is attached, giving the amount of powder fired by the A. E. F. up to November 11, 1918, both in training and in combat, including French, British, and American ammunition.

J. H. PELOT,
Colonel, Ordnance Department, United States Army.
Chief, Ammunition Division.

Powder expended by the American Expeditionary Forces up to Nov. 11, 1918.

Artillery ammunition:

Caliber—	Pounds.
75 mm.-----	11, 358, 688
4.7-inch -----	379, 689
155 mm.-----	22, 405, 321
6-inch-----	9, 333
8-inch-----	677, 175
9.2-inch -----	142, 738
37 mm.-----	173, 674
Total -----	<u><u>35, 146, 618</u></u>

Small arms ammunition:

Caliber 30-----	2, 730, 767
8 mm.-----	115, 843
Caliber 45-----	375, 943
Total -----	<u><u>3, 222, 553</u></u>

Trench warfare ammunition:

3-inch trench mortar-----	57, 911
58 mm. trench mortar-----	2, 232
6-inch trench mortar-----	14, 889
240 mm. trench mortar-----	14, 379
Total -----	<u><u>89, 411</u></u>

Grand total----- 38, 458, 582

Figures show amounts expended in training of troops and in combat, and include French, British, and American ammunition. The statistics were obtained from the latest report from the A. E. F. received November 12, 1919.

NOVEMBER 22, 1919.

(The subcommittee adjourned at 10.30 a. m. to meet at the call of the chairman.)

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